

Weekend FINANCIAL TIMES

Weekend FT

China's wild west frontier

SECTION II

World Business Newspaper

Russia's liberal foreign minister Kozyrev resigns

Andrei Kozyrev, the Russian foreign minister who helped re-integrate his country into the world community after the collapse of the Soviet Union, has resigned to become a deputy in the newly elected parliament. A liberal career diplomat much admired in western capitals but long reviled by Russian nationalists, he appeared to have lost the confidence of President Boris Yeltsin in recent months. Page 24

Kantor sets up trade watchdogs US trade representative Mickey Kantor announced the creation of an office devoted to overseeing the enforcement of trade agreements. He warned trading partners that failure to abide by pacts would bring a tough US response. Page 3

Palestinian terrorist killed Mohammed Ayyash, the master bomb maker also known as "The Engineer", died in an explosion in the Gaza Strip. Palestinian officials said. He had been blamed for several explosions which killed about 77 Israelis and foreigners since 1993. Page 3

London stocks follow US trend

FT-SE 100 Index
Hourly movements
3,740
3,720
3,700
3,680
3,660
3,640
3,620
3,600
3,580
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3,340
3,320
3,300
3,280
3,260
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3,200
3,180
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3,140
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2,980
2,960
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400
380
360
340
320
300
280
260
240
220
200
180
160
140
120
100
80
60
40
20
0
Source: Reuters
2 Jan 98 5

UK lottery prize climbs above \$200m Camelot, the consortium which operates the National Lottery in Britain, raised its estimate for the size of today's double rollover jackpot to a record \$40m (£21.8m). Page 4

Bank of England warns on pay rises Eddie George, governor of the Bank of England - the UK's central bank - suggested that a surge in wage deals could threaten the inflation target and reduce the likelihood of interest rate cuts. Page 4

British fishermen attack new rules Fishermen risked another row with the UK government when they threatened not to comply with new fishing rules because no one in the industry can understand them. Page 4

Indian state may approve Enron plants Expectations rose that the Dabhol power project, India's biggest and most controversial foreign investment, would finally get the go-ahead from the Indian state government of Maharashtra. Page 3

Queen makes musician a knight American musician André Previn, the conductor laureate of the London Symphony Orchestra, has been awarded an honorary knighthood. The KBE will be presented to Mr Previn in Washington. Opera house hit a sour note, Page 5

Princess discusses divorce Lawyers for the Princess of Wales confirmed that she had met them to discuss a divorce from Prince Charles, following a letter from the Queen last month urging them to end their marriage after a three-year separation. Page 5

The new year has brought significant 20 per cent changes in the classification of UK companies by industrial sector in the FT-SE Actuaries index. To help guide readers through the current classifications, today's FT includes an alphabetical listing of all companies in the London Stock Service, showing the industrial sector to which each belongs. Page 20-21; Explanation, Weekend Page 17.

Companies in this issue

Abbot 5 Morrison (Wm) 5
Deutsche 5 CIS Int'l Inspection 5
Ford 4 Owen & Robinson 5
Forte 5 Pemberton 5
Friends Provident 5 Pillington 5
Granada 5,246 Reax 5
Howden Group 4 TeleWest 5
John Lewis 5 Tottenham Hotspur 5
Marks and Spencer 4 Web Group 5
Merrill Lynch 5 Welsh Water 5

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The year of the anorak

Feasts in the Middle East

WEEKEND JANUARY 6/1998

Deal set to ease US shutdown

Republicans agree budget row compromise

By Jurek Martin in Washington

The end of the three-week long partial shutdown of the US government was in sight yesterday after Republicans in the House of Representatives reluctantly agreed to a compromise plan that restores some, but not all, federal activities until January 26.

The House easily passed the proposal by 401 votes to 17. Democrats had said in advance they could support the proposal while simultaneously making many with some of its more bizarre aspects. Congressman Richard Gephardt, the minority leader, said the Republicans had "passed the line from reality to insanity".

The Senate stood ready to endorse the House action and President Bill Clinton was not expected to object. He was also

due to resume White House negotiations over the balanced budget with leaders of both parties.

Uncertainty over the budget again unsettled the dollar and US markets. The dollar fell nearly two pennies to close in London at DM1.4275, from DM1.4265, and Y104.865 down from Y105.30.

Last in the trading session in New York, the benchmark 30-year treasury bond was 4.11%, slightly higher than Thursday's figure. The Dow-Jones Industrial average was 14.45 points lower, at 5159.39.

The Republican compromise plan constitutes a significant retreat from the previous insistence that any re-opening of the government be explicitly linked to satisfactory conclusion of an agreement with the Clinton administration to balance the federal budget in seven years' time.

It was achieved only with difficulty, despite mounting public pressure as the impact of the shutdown spread.

Hardline conservatives in the House refused to go along with the initial suggestion of congressman Newt Gingrich, the Speaker, that the government be restored more or less to normal until March 15 - with the restoration of full pay for about 760,000 affected civil servants.

Acceptance of the January 26

deadline was also in doubt yesterday until the Speaker delivered a rousing speech to the Republican caucus.

He warned fellow members of the adverse political consequences of continuing to hold federal employees "hostage" but promised no retreat from the balanced budget goal.

Although they are back on full pay for three weeks, it was far from clear, however, whether many federal employees would be able to conduct their duties as normal. The Republican plan re-opens mostly humanitarian activities - such as meals on wheels for the elderly, unemployment ser-

vices - as well as national parks and museums, and passport and visa offices.

But those federal employees in agencies without either temporary or previously agreed funding, including the justice, commerce and labour departments which are most closely connected to businesses and the financial markets, will not be authorized to spend any money in the pursuit of their duties.

Several congressional Democrats made much of the fact that this meant government drivers could not put fuel in their cars and that bureaucrats might not even be permitted to make long distance telephone calls. The collection of economic statistical data also appeared still at risk.

Currencies, Page 10

Murayama resignation heralds turbulent period

Japanese PM quits to allow 'fresh start'

By William Dawkins, Gerard Baker and Michiyo Nakamoto in Tokyo

Mr Tomiichi Murayama, Japan's prime minister, yesterday handed in his resignation after 18 months in the job, citing the need for the government to make a "fresh start".

His departure, months earlier than expected, paves the way for the conservative Liberal Democratic party to tighten its grip on the three-party government coalition.

Mr Ryutaro Hashimoto, the foreign minister for international trade and industry and LDP president, is expected to stand for prime minister in a parliamentary leadership election next week. Mr Hashimoto, a believer in heavy public spending to lift the economy out of recession, said: "If I have to take on the responsibility, I will."

A special three-day parliamentary session, starting on Thursday, has been called to choose Japan's next leader. Mr Murayama said yesterday he did not seek a position in the new government but would seek re-election next month as leader of the Social Democratic party.

Japan's opposition New Frontier party moved on to the attack and called for a snap general election. Its demand was echoed by several business leaders, including Mr Shōichirō Toyoda, chairman of the Keidanren economic federation.

However, coalition officials said they planned to keep the alliance in its present form. Mr Murayama said the new government's main task must be to continue to seek economic recovery, rather than prepare for an election. But a broader cabinet reshuffle is expected after the present line-up offers its resignation next week. Mr Masayoshi



Murayama: his departure paves way for Liberal Democratic party to tighten its grip on the three-party government coalition

Takematsu, finance minister, hinted he did not expect to remain in his job.

Mr Murayama, Japan's first socialist prime minister for 47 years, came to power in June last year in an alliance with the LDP, his party's traditional enemy, plus the New Harbinger party, a left-leaning splinter group of former LDP members.

He has presided over one of the most turbulent periods in post-war Japan, including a series of bank failures, the worst recession since the 1930s, urban terrorism and the Kobe earthquake.

He has been unpopular with his party for jettisoning most of its policies to please the LDP, and with the electorate at large for alleged lack of leadership.

Financial markets were little

moved by the resignation. Fears of more political uncertainty offset optimism. The Nikkei 225 index closed up 51.33 at 20,930.00, though construction shares gained on hopes of higher infrastructure spending under Mr Hashimoto.

Mr Murayama's resignation casts fresh doubt on the government's chances of securing parliamentary approval for its scheme to bail out housing loan companies. The deeply unpopular plan involves spending more than Y655bn (36.45bn) of public funds from the coming year's budget to help dispose of the bankrupt companies.

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NEWS: EUROPE

Double shooting shakes Mostar peace

By Laura Saber in Belgrade

The EU administrator of the divided town of Mostar yesterday appealed for calm after the shooting of two Moslem policemen exposed the fragility of the Moslem-Croat Bosnian federation.

Tensions soared in Mostar after bullets fired from the Croat-held part hit a Moslem police car, seriously wounding two officers, on Thursday

night. It followed the death on New Year's eve of a Moslem youth who was shot as he crossed a check-point.

Mr Hans Koschnick, the EU administrator, warned: "It would be a lie if I said I had everything under control but I hope that serious people will understand how dangerous the situation is."

"Do not throw oil on the fire. We are trying to calm things down but we are not in a good

situation," he told a news conference in Mostar. The town, famous for its 16th-century bridge destroyed in 1993 by Croat troops, remains divided between the Croats and the Moslems despite nearly two years of EU administration.

The Dayton peace agreement hinges on preserving the shaky Bosnian federation, brokered by Washington in February 1994 to end a year of war between the Moslems and the

Croats. They are now uneasy allies, laying down their arms but making no progress in other areas of the federation agreement such as a joint military or the return of refugees.

Nato yesterday said its troops had fired their first shots in anger when an Italian sentry was wounded in Vogosca, a Serb-held suburb north of Sarajevo, since the Implementation Force (Ifor) was deployed 17 days ago.

"Four or five rounds were fired in order to recover a soldier who had been hit by rifle fire in the attack," said Lt Colonel Salvatore Iacono, of the Italian forces.

Efforts to cement the Dayton peace gained pace yesterday in Vienna when the former warring sides exchanged information on their weapons and agreed to despatch liaison to each others' military headquarters.

Resigning foreign minister helped build new world order but has since taken a more anti-western line

Kozyrev introduced Russia to a world it still mistrusts

When Mr Andrei Kozyrev became foreign minister of the Russian Federation in October 1990, it was a half-informed job. The Soviet Union, of which Russia was merely the largest part, was very much in existence, and few saw the signs of imminent collapse.

When the Union did break up less than a year later, and Russia re-emerged from the ashes, the soft-spoken diplomat played one of the main roles in nursing the fledgling state into full-blooded existence.

In the aftermath of the Soviet collapse, he helped President Boris Yeltsin convince the world that Moscow had renounced its totalitarian past and was determined to be a model member of the world community.

Where the Soviet Union had been expansionist, secretive and full of dark anti-western prejudice, the new Russia – or so Mr Kozyrev asserted – would be open, co-operative and respectful of human rights and international law.

Setting aside its traditional loyalties, Russia joined the western powers in imposing sanctions on international pariahs such as Serbia, Iraq and Libya – and agreed to deep cuts in its long-range nuclear arsenal under the START-2 treaty.

At that time, Mr Kozyrev showed little patience with those who accused him of selling out Russia's interests. He

insisted that in many areas, Russian and western interests were virtually identical.

His pro-western school argued that all-out confrontation with the US had left the country in a state of ruined exhaustion, and full-scale partnership with the US, even at the cost of abandoning old friends, was the only other way Russia could retain a place on the international stage.

Links with Washington, especially in areas such as nuclear security where the US needed Moscow's co-operation, seemed to offer the best hope that the new Russian state would be accepted as the sole legal successor to the Soviet Union.

Both Mr Kozyrev himself, and Russia's foreign policy establishment, have moved a long way from the pro-western euphoria of that period.

Over the past two years, he has surprised his western friends with his willingness to change with the times and proclaim a much tougher line, reflecting a more assertive mood in Russia's political class and electorate.

In practice, observers say, this could mean a return to old strategies of driving wedges between western Europe and the US; a renewed interest in south Asian partners such as India, Iran and Iraq; and even greater reluctance to ratify arms control accords concluded at a time of Russian weakness.

But Mr Yeltsin, who is vested by the constitution with the main responsibility for foreign policy, will insist on retaining the flexibility to make tactical compromises with Washington.

He has sought a middle way between confrontation and unconditional pro-westernism. "A complex process is developing in which the west cannot decide anything without us and we cannot decide anything without the west," he said last year. "Only the combination of forces will produce results."

However succeeds Mr Kozyrev is unlikely to be strong enough in his own right to challenge Mr Yeltsin's prerogative or limit the president's freedom of action to cut deals as the opportunity arises. The presidential apparatus will insist that the new minister co-operate with its efforts to streamline the formulation of external policy.

Mr Dmitry Ryurikov, the president's chief diplomatic adviser, recently announced the formation of a new foreign policy council in which the ministries of foreign affairs, trade and defense, and the KGB, will all have seats.

He also set out its priorities: relations with China and other Asian states; the opening of markets in Asia and Latin America; European affairs; relations with Nato; and the Russia-US dialogue – in that order.

Bruce Clark and John Thornhill



Kozyrev: has surprised his western friends with his willingness to change with the times and proclaim a much tougher line, reflecting a more assertive mood in Russia's political class

Fall in Italian inflation rate forecast to continue

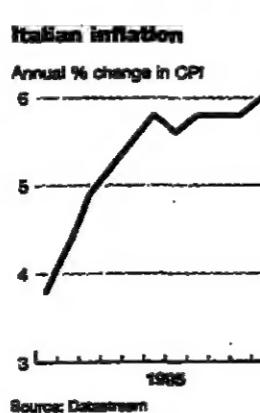
By Robert Graham in Rome

Italian inflation began to fall last month and is expected to drop further in the first months of this year, according to Mr Alberto Zuliani, chairman of Istat, the state statistics institute.

Mr Zuliani's predictions came despite Istat's release of figures showing Italy's economy had grown by 3.4 per cent in the first nine months of the year, the fastest rate in the EU. December inflation figures showed a month-on-month increase of 0.3 per cent, the first time since July that the monthly rate of increase had fallen.

December's year-on-year inflation however was 5.8 per cent and the average rate for the year was 5.4 per cent, almost double the EU norm. Although Istat is now convinced price rises are set on a downward curve, the 3.5 per cent target for the year set by the government in the macroeconomic framework for 1996 budget will be hard to achieve.

The high inflation in 1995 was attributed to three main factors, all of which have now more or less disappeared. In the first four months of the year, the lira was subject to further heavy devaluation with a consequent knock-on effect



for imports. But since May the lira has recovered ground, and by the end of the year was 2.7 per cent up on the dollar, though still over 5 per cent down against the D-mark.

The second factor affecting prices was VAT increases in the Dini's government's initial mini-budget. This was seen to add almost one percentage point to the overall index but the effect had been absorbed by the summer.

The third factor has been a sharp increase in producer prices, reflecting the way manufacturers have been passing on the cost of higher raw materials and raising their profit margins. Producer prices are reckoned to have increased on

average almost 7 per cent last year, double the rate of 1994. Government economists hope producer prices are now cooling as the economy has slowed down in the final quarter.

According to figures from Istat yesterday, Italy's GDP grew 2 per cent in the third quarter, giving 3.4 per cent for the first nine months of 1995. This was the fastest growth rate in Europe. Even though the pace has begun to slow, the overall figure for the year is likely to be around 3.2 per cent, slightly higher than originally expected.

The main problem ahead centres on wages. In each of the past three years wages have declined in real terms. This is because the unions have exercised restraint to preserve jobs and to respect a 1993 accord with employers and the government.

Mr Brazauskas said that "as a human being, citizen and president" he condemned Mr Slezevicius for withdrawing \$30,000 from his personal account in Innovation Bank two days before its operations bank last month. This had been an abuse of power to protect private financial interests, he said.

He urged the centrist Labour party leader to remain in his post to help salvage Innovation Bank, which holds 16 per cent of all bank deposits in Lithuania. Tens of thousands of depositors had had their money frozen in the commercial bank for three weeks.

"From a moral viewpoint, or

in the way that ordinary Lithuanian citizens see it, this administration should resign or be made to resign, but who would want this job which has to be done anyway?" Mr Brazauskas said. "The prime minister is human, and to err

who has become embroiled in a banking scandal."

Mr Algirdas Brazauskas, president of the Baltic state, refused to accept the ministers' resignations immediately and extended heavily qualified support to the embattled prime minister.

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A Baltic news agency report yesterday alleged that another government minister had also withdrawn \$2,300 from Innovation Bank shortly before its collapse.

Never ones to take illness lightly, the Germans were last week thrown into panic at claims that a deadly strain of the influenza-A virus was sweeping the country.

Earlier in the day, Mr Povilas Gylas, the foreign minister, and Mr Linas Linkevicius, the defence minister, had sent resignation letters to the president saying that "a moral and political crisis" had emerged within the cabinet and that it was no longer possible to serve the prime minister.

But Mr Brazauskas yesterday met all the other cabinet ministers, who indicated they were willing to work with the prime minister to help resolve the financial crisis.

The Bank of Lithuania suspended the operations of two of Lithuania's biggest banks in late December, fearing for their solvency. Four bank officials were subsequently arrested on suspicion of fraud.

A Baltic news agency report yesterday alleged that another government minister had also withdrawn \$2,300 from Innovation Bank shortly before its collapse.

In the end the panic, which originated with north German state governments, turned out to have been the customary mix-up between the genuine influenza and the common cold. Despite this, many now appear to be healthy. The general public and the politicians are content, because nobody is dying. Most content of all are the German pharmaceutical industry and the retail pharmacists, who sold out of influenza vaccines. Vitamin C pills, aspirins and other cold relief medicines were equally popular.

He would tear up an agreement with France, the UK and the US allowing them to use a Turkish base to fly missions over northern Iraq to protect local Kurdish populations from Iraqi attacks.

Despite his moderate pitch, Mr Erbakan will probably fail to persuade mainstream parties to back him. If this turns out to be the case, he will be able to tell his 6m voters that Refah was excluded from power because of the intransigence of other parties. He may then benefit as the leading opposition party amid the worsening economic conditions most forecasters expect for 1996.

Ministers quit in scandal protest

By John Thornhill in Moscow

The political turmoil in Lithuania worsened yesterday when two cabinet ministers tendered their resignations, saying they could no longer serve under Mr Adolfas Slezevicius, the prime minister who has become embroiled in a banking scandal.

Mr Algirdas Brazauskas, president of the Baltic state, refused to accept the ministers' resignations immediately and extended heavily qualified support to the embattled prime minister.

Mr Brazauskas said that "as a human being, citizen and president" he condemned Mr Slezevicius for withdrawing \$30,000 from his personal account in Innovation Bank two days before its operations bank last month. This had been an abuse of power to protect private financial interests, he said.

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"From a moral viewpoint, or

Flu panic empties chemists' shelves

By Wolfgang Münchau in Frankfurt

Never ones to take illness lightly, the Germans were last week thrown into panic at claims that a deadly strain of the influenza-A virus was sweeping the country.

At the department of public health in Düsseldorf, about 200 people lined up on one day to receive vaccinations, even though these vaccinations would not become effective for several weeks. General practitioners worked overtime and pharmacies worked round the clock to breach the country's sacred shop opening hours in order to serve their customers.

Television pictures showing the victims of a flu epidemic in the late 1960s, when 40,000 died, added to the hysteria. Several states even came close to prolonging the school winter holidays, fearing that the disease would spread even faster once the children infect one another at school.

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INTERNATIONAL NEWS DIGEST

French tax cuts ruled out for this year

Mr Alain Lamassoure, the French budget minister, has ruled out tax cuts or major fiscal reform this year because of the slowdown in the economy. But he told the Paris daily *Le Figaro* that good reform would allow a reduction of taxes for some people while not increasing it for others.

"This is only possible when the economy provides a sufficient margin of manoeuvre each year. It is to be feared that in 1996 this precondition will not occur," Mr Lamassoure is quoted as saying.

Mr Lamassoure stressed that the idea of sweeping reform of France's tax system had not been shelved.

Independent analysis now expect the French economy to grow by just under 2 per cent this year, below the original government prediction of 2.8 per cent. The government is hoping to cut its deficit this year to FF7.35bn (£3.8bn), from FF7.62bn in 1995.

Mr Lamassoure said the weak state of the economy this year would not prevent the government from preparing the ground for a real fiscal reform, notably by getting social security finances in order.

AP, Paris

EU officials on bribes charge

Two European Commission officials in Brussels and the wife of one of them have been arrested in connection with a bribery scandal involving European Union tourism subsidies. Mr George Tzavas, a Greek who headed the Commission's tourism department, his wife, and Mr Pascal Chatillon, a Frenchman who worked with Mr Tzavas, are under investigation for several alleged crimes, including the awarding of EU tourism subsidies to companies in return for "illegal commissions" that often amounted to several hundred thousand Ecu. According to Belgian fraud officials, companies in several EU member states sometimes paid more than 10 per cent of the total subsidies awarded them by the officials.

French authorities have arrested two company executives in connection with the case.

Emma Tucker, Brussels

China fines CD pirate

The music industry won an important round in its battle against Chinese piracy yesterday when a Shanghai court imposed a \$600,000 fine on a Taiwanese compact disc manufacturer for illegally producing and distributing unauthorised CDs. The fine is unusually high by Chinese standards. Mr Nic Garnett, director general of the International Federation of the Phonographic Industry, which instigated the case, said it should provide a "strong deterrent" to other music pirates in China.

Alice Rawsthorn, London

Minister enters telephone row

In an effort to end a row about rises of up to 156 per cent in the cost of local telephone calls in Germany, Mr Wolfgang Bötzsch, Germany's minister for post and telecoms, yesterday suggested that Deutsche Telekom review the figures the company submitted to the ministry in 1994 when the tariff changes were requested.

The ministry said the review was unlikely to alter the new tariff structure. Deutsche Telekom yesterday insisted the tariff structure was necessary to prepare for partial privatisation later this year and a liberalised telecoms market in 1996. Officials said that Mr Bötzsch's comments were an attempt to fend off protests about the new prices.

Michael Leidemann, Bonn

Internet provider to lift sex ban

CompuServe, the internet service provider, plans to restore access for its subscribers outside Germany to 200 sexually explicit internet sites. But the company said it might take up to a month or longer to resume broadcasting a full range of internet content to its international subscribers.

CompuServe last month blocked worldwide access to the sites following advice from German legal officials that the online service was breaking German law by allowing access to banned pornography.

The company is developing the technical capability to block out sexually explicit internet content where required by an individual country's law, while preserving full access for the rest of its 4m

NEWS: INTERNATIONAL

China's GDP growth put at 10.2% in 1995

By Geoffrey Crothall in Beijing

China's gross domestic product grew by 10.2 per cent last year, according to preliminary statistics released by the government yesterday.

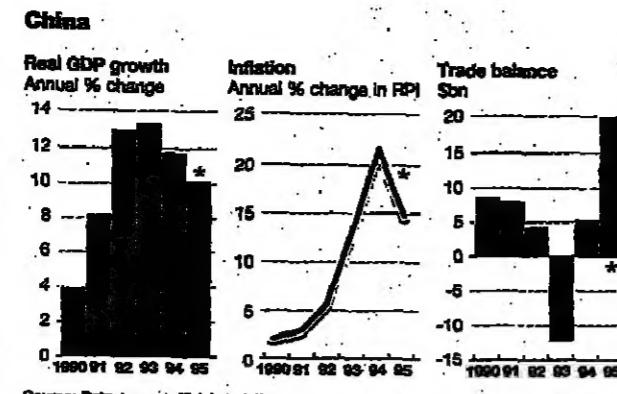
The growth rate was slightly higher than the government's target of 8 to 9 per cent set last March by Mr Li Peng, prime minister, but still 1.6 percentage points lower than the growth rate for 1994.

Inflation fell sharply in 1995 with the national retail price index dropping from 21.7 per cent at the end of 1994 to 14.8 per cent at the end of last year. The broader consumer price index, which includes services as well as retail goods, remained slightly higher at around 17 per cent, Mr Ye Zhen, State Statistical Bureau spokesman, told a press conference.

Mr Ye cited the reduction in economic growth and inflation as a sign that the government had been successful in bringing China's overheated economy to a soft landing, cooling inflation but still maintaining a healthy and stable growth rate. Mr Ye conceded, however, that while structural macroeconomic adjustments had on the whole been successful, difficulties remained in several areas.

"Some structural contradictions are still prominent, the agricultural base is still too weak, inflation is still at a relatively high level... and many enterprises are experiencing difficulties with production and management," he said.

The economic growth rate



for state-owned enterprises increased slightly in 1995 but State Statistical Bureau officials said about 40 per cent of all state-owned enterprises were still operating in the red.

Industrial production as a whole rose 14 per cent on 1994, while agricultural production rose 4.5 per cent, with the estimated grain harvest reaching a record 460m tonnes.

Foreign trade for 1995 grew 18 per cent to \$260bn (£162bn), giving China a trade surplus of more than \$20bn, up from \$5.35bn in 1994. Foreign exchange reserves continued to grow, reaching an estimated \$70bn at the end of the year. Foreign investment in 1995 totalled \$37bn, up 11 per cent.

Mr Ye did not make any predictions for growth and inflation this year, but economists in Beijing said it would be difficult to maintain relatively high growth and bring inflation down to the government's target of 9 or 10 per cent this year.

"There are still inflationary pressures in China, the cost of services such as public transport is going up and money supply remains at a comparatively high level," said an economist at a western embassy in Beijing.

China's broad M2 money supply grew 30 per cent in 1995 according to preliminary estimates. M1, or cash and demand deposits, grew 18 per cent and M0, cash in circulation, rose 14 per cent. Mr Ye pointed out, however, that the scale of fixed asset investment, seen as one of the main causes of overheating in the Chinese economy, had been brought under control and that the investment structure was improving.

The growth of fixed asset investment in 1995 fell 12 percentage points over 1994 to 19 per cent. China was now seeing a more rational investment structure with greater investment in agriculture and more money being put into development of the hinterland rather than the coastal areas, he said.

Israel sees Syrian talks improving relationship

By Julian Ozanne in Jerusalem

Israel said yesterday peace talks with Syria in the US had broken new psychological barriers and laid the foundations for better relations between the two countries but the two sides had yet to make a breakthrough of substance in issues blocking peace.

Israel officials, however, said they were optimistic that Mr Warren Christopher, US secretary of state, would be able to nudge the negotiations forward when he visits Jerusalem and Damascus next week.

Mr Yossi Beilin, an Israeli cabinet minister, said: "I would say that something very important has happened between Israel and Syria in that we have been able, after four years, to really talk for the first time. This discussion, because of its openness could lead to peace... I can only say that this discussion has still not led to a substantive breakthrough and its very possible that shuttle diplomacy could be the next fast stage toward such a breakthrough."

In an interview published in Israel Mr Uri Savir, chief Israeli negotiator with the Sy-

rians, said that the change in atmosphere was "definitely palpable" and that for the first time the two sides had discussed economics and the type of relations that would exist between the two sides in the next 10 years.

Mr Savir said Israel had told Syria it wanted a "complete change in the nature of relations from a situation of confrontation to a situation of real peace - establishing embassies, normalisation, tourism and joint projects in the areas of water and energy".

Israeli officials said they expected Mr Christopher, who joined the talks at a plantation in Maryland, would issue a declaration when the negotiations broke up late yesterday, saying that the two sides had created a new atmosphere.

However, Israel's several times in the past voiced optimism about its talks with Syria only to see the negotiations collapse swiftly. "It's possible that when we come to the substantive issue, both sides will discover that beyond the procedural openness nothing revolutionary has happened," Mr Beilin conceded.

Furthermore, Syria remains

solid in its demand that Israel publicly and officially commit itself to a complete withdrawal from the Golan Heights before any breakthrough is possible. Israel refuses to make this commitment saying the depth of withdrawal will depend on the depth of peace Syria is willing to offer.

Nevertheless, Israeli officials said they believed there was a good chance that Mr Christopher's visit would herald more progress. Mr Christopher is expected to announce further rounds of talks and Israeli officials said they hoped future talks would break up into working groups to discuss, simultaneously, all issues including security, water, borders, normalisation of relations and regional co-operation and economic integration.

They said Mr Christopher's visit would be a success if he could persuade Syria to upgrade the negotiating delegations to include military and treasury officials and to accept an Israeli proposal for a meeting of the two country's foreign ministers. Syria has so far refused to upgrade its delegation beyond the level of its ambassador to the US.

US trade laws allow time for foreign governments who are not living up to the obligations to the administration on sanctions. A finding of failure to honour a pact is paid quarterly.

"I want to give ample notice to foreign governments who are not living up to the obligations to the administration on sanctions. A finding of failure to honour a pact is paid quarterly.

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Mr Kantor denied that his tough stance is related to election year politics. However, he noted that many Americans had doubts about the value of international trade. "No trade policy will be effective unless we build credibility with the US public and stand up for their interests," he said. "That means ensuring that other countries live up to their obligations."

Mr Kantor listed a number of priorities for the new office. These include possible action against South Korea for failing to enforce a trade agreement.

The unit will work closely with the Commerce Department. In some cases it will use the dispute settlement mechanism of the World Trade Organization and North American Free Trade Agreement.

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Palestinian master bomber killed in Gaza booby-trap

By Julian Ozanne in Jerusalem

The elusive Palestinian master bomb-maker, who struck fear into the hearts of many Israelis and inspired Palestinians with his dastardly cunning and fierce resistance to Israeli occupation, was killed yesterday in the Gaza Strip.

Palestinian officials said Mr Mohammed Ayyash, also known as "The Engineer", had been killed by a booby-trapped cellular telephone packed with 50 grams of explosive.

The military wing of the

Hamas, which opposed the Israeli-Palestinian peace process and is boycotting the elections, will almost certainly accuse members of Mr Arafat's security forces of being in collusion with Israel in the killing of Mr Ayyash deep inside Palestinian controlled territory.

However, they refused to confirm or deny that Israeli security forces had been involved in the death of a man who headed Israel's most

wanted list for over two years. The Hamas revenge threat, if carried out, could pose a serious challenge to Palestinian elections now under way and will further worsen relations between Hamas and Mr Yasser Arafat, the veteran Palestinian leader.

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NEWS: UK

Labour claims affinity with Asian economies

By John Kampfner,
Chief Political Correspondent

Mr Tony Blair, leader of the opposition Labour party, claimed in Tokyo last night that his party's emphasis on training and investment was in tune with Asian economies. He said his party's approach was closer to those economies than that of the governing Conservative party.

"The Japanese understand very, very clearly that basic minimum standards of their treatment of employees are not in any way inconsistent with efficiency," Mr Blair said on BBC radio. "We are not going to be able to compete on the basis of a low skill, low technology economy."

The British government

sought to ridicule Mr Blair's claim that Labour was the champion of entrepreneurial spirit. The government's attack followed a pledge to Japanese business leaders by Mr Blair that he was committed to competitive tax rates.

Mr Michael Heseltine, deputy prime minister, led the assault, describing Mr Blair's speech during a two-day visit to Tokyo as a "confidence trick".

Mr John Major, the prime minister, is expected to reinforce the point in a television interview tomorrow. Aides said the prime minister would reaffirm his intention to stay the course until the final due date for a general election in May 1997, to see through legislation that would make Britain "Europe's enterprise centre".

His trip is part of a broad initiative to woo hitherto sceptical audiences with his party's new-found commitment to keep a firm rein on inflation and trade union power. Mr Gordon Brown, the Labour party's shadow chancellor, will next week make a similar point to senior figures in US politics and commerce.

Conservative strategists have been perplexed over how to respond to Mr Blair's apparent success in claiming some of their ground. On some occasions they have described him as "a weak imitation of the



Ichiro Ozawa, leader of Japan's opposition Shinshinto (New Frontier) party, meeting Tony Blair, leader of Britain's Labour party, in Tokyo yesterday

Photograph: Reuter

real thing"; sometimes they have asserted that he has not shifted as far as has been maintained.

Mr Stephen Dorrell, health secretary in the British government, said: "The Japanese are a polite and well-mannered people. It is no surprise they gave Mr Blair a warm welcome and listened to him with interest. But when hard-nosed business decisions come to be made they won't be taken in."

UK NEWS DIGEST

N Sea oil output likely to surge

North Sea oil output is set to reach new heights by the end of the decade, says the International Energy Agency. Production will peak in 1998 at the earliest, at about 7m barrels a day, or some 1.5m b/d higher than last year's level, its latest forecast says. Just under half of the peak output - 3.2m b/d - will come from the UK side and the rest from the Norwegian with small amounts from minor producers such as Denmark and the Netherlands. The agency says it had long been assumed that North Sea production would reach its peak in the mid 90s and then decline quickly. But the new peak "is substantially higher and later than recent conventional wisdom would have suggested," adds the agency.

It expects the subsequent decline to be more gentle than forecast as more big fields are brought on stream and smaller satellite fields are opened beside existing fields. The agency attributes the surge in North Sea oil output to improvements in recovery technology, a highly skilled local workforce and heightened fiscal incentives for offshore oil companies. The growing role of gas also enables more mixed oil and gas fields to be developed. The agency adds that the amount of oil to be recovered is less important than access to it. The UK ranks only 21st in terms of world reserves.

David Lasclef, Resources Editor

Three held over Ireland murders

Three people were arrested in Northern Ireland in connection with recent murders in Belfast, the region's capital. The arrests came soon after the formation by the Royal Ulster Constabulary, the region's police, of a squad to hunt the murderers. Police said the three people arrested were being questioned about one of the recent murders, but would not say which one. They insisted that Direct Action Against Drugs, the organisation claiming responsibility for the killings, was a front for the Irish Republican Army. Four men have been shot dead in Belfast in the past four weeks.

• President Mary Robinson of the Republic of Ireland is to make the first official visit to Britain by an Irish head of state. The visit will take place in June. Mrs Robinson and Queen Elizabeth II are to be joint patrons of Co-operation North, a non-governmental organisation set up in 1979.

PA News

Number of pubs declines

Drinkers in search of a tipple last summer had fewer choices of venue than the year before as the number of licensed pubs, hotels, restaurants and off-licences in England and Wales declined for the first time since 1992. On-licences are premises such as restaurants and bars licensed to sell alcoholic drinks on-site. Off-licences include shops and all other premises licensed to sell drink only for consumption elsewhere. The number of premises licensed to serve alcohol on-site fell by 1,500 to 110,000 in the 12 months to June 1995, according to government figures. The number of off-licences fell by 1,700 to 46,000 during the same period. However, relief may be on hand - the number of applications for new licences during 1994/95 matched those of 1991/92, with 4,000 applications for on-licences and 2,100 for off-licences. The number of licensed properties has fluctuated in recent years, falling between 1991 and 1992, rising between 1992 and 1994, and falling back again from 1994 to 1995. This follows a steady increase from the mid 1970s.

Krishna Guha, London

Top prize climbs above \$60m



THE NATIONAL LOTTERY

Camelot, the consortium which operates the National Lottery, yesterday had to revise upwards its estimate for the size of today's double rollover jackpot to a record \$60m (£36.8m). Raymond Smiddy writes.

It is likely that about \$110m will have been spent on tickets, far exceeding last week's record total of \$78.4m. This week's total estimated

prize fund has gone up \$7.3m, and if the forecasts of total sales turn out to be accurate the five "good causes" which qualify for lottery funds should receive nearly \$23m from this week's tickets alone.

Camelot expects that more than 80 per cent of the UK population will take part, undeterred by warnings from churchmen of the moral dangers of winning such a large prize. With the odds of winning the National Lottery at just under 14m to 1, Camelot expects seven or eight winners of today's jackpot.

If no-one does choose the correct numbers, the rules allow for one final rollover which would almost certainly lead to a jackpot of well over \$50m next week.

There was no sign of the rumoured mysterious syndicates buying up millions of tickets to try to improve its chances of winning.

The size of the jackpot has been attracting day trippers from mainland Europe, and stores in English ports such as Dover reported French visitors spending up to \$60 each on tickets.

"They are very welcome," Camelot said yesterday. But the consortium is much less sure about the activities of entrepreneurs in the Irish Republic who have been sending couriers to Northern Ireland and selling UK National Lottery tickets in the south of the country.

Mr Michael Taylor, director of the Christian Aid charity, urged the government to consider giving unclaimed National Lottery jackpots to charities rather than rolling them over to another big prize the following week.

Central bank issues pay rise warning

By Gillian Tett,
Economics Correspondent

The government defeated Brussels' initial regulations for monitoring fishing in these waters in October, saying they were "overly bureaucratic."

But the industry says the government's new guidelines mean a "huge increase in the complexity of the management system at a time when the government professes to be deregulating".

The government said it was making fishery officials available to speak to the industry. Senior officials are meeting the

companies, "which people pay attention to", offered large wage settlements, they could have an adverse effect on the broader inflation climate.

His warning came the day after unions at the Vauxhall offshoot of General Motors voted to reject an offer of a 4.6 per cent wage rise. Unions at Ford, often seen as a benchmark for the rest of the industry, are balloting members about a strike in support of their 10 per cent claim.

Bank of England officials yesterday denied Mr George was criticising any specific company and stressed that labour costs were only one factor affecting interest rate decisions.

Recent internal research by the Bank has suggested that settlements at "benchmark" companies may have less impact than previously thought on the rest of industry. However, Mr George's com-

ments will fuel suspicions in the City of London that the Bank will resist further interest rate cuts until the full impact of January's wage deals and other economic trends becomes clear.

The governor is next due to meet the Mr Kenneth Clarke, chancellor of the exchequer, on January 17.

It will be their first meeting since their decision to reduce rates by 25 basis points to 6.5 per cent in December 1995.

WEEKEND BUSINESS

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COMPANIES AND FINANCE

Forte bid awaits Monday decision

By Scheherazade Daneshku and Raymond Snoddy

Granada will decide at a board meeting on Monday afternoon whether to continue its increasingly bitter £3.3bn takeover bid for Forte, the UK's largest hotels group. It is expected to be a close decision.

"Nothing will be decided until Monday afternoon at the earliest," Mr Gerry Robinson, chief executive said yesterday. The TV, catering and leisure group has until Tuesday to raise its bid.

Institutional shareholders in Granada and Forte yesterday expected an

increased offer, particularly of the cash element, but some said there was a risk Granada might overpay. Many were impressed by Forte's defence and thought the final outcome would be close.

When Granada launched a hostile bid for London Weekend Television in 1993 it increased its bid by enough to win. But last year it pulled out of talks to buy the contract catering business of Accor, the French hotel and catering group.

One shareholder in both companies said that Granada, which has not yet responded to Forte's final document

released Tuesday, had to convince the City that the takeover was the right thing to do. Given the speed with which Forte had reacted, "there might be a lot in it for Granada to walk away".

However, another dual shareholder doubted Granada would let its offer lapse. "It's very difficult for a bidder to walk away from a target even when it ought." Another thought that if Granada did walk away, "they'll look stingy or lacking the courage of their own convictions".

Granada is offering four shares plus £28.25 cash for every 15 Forte shares, worth 25p a share at last night's close.

There is a fully underwritten cash alternative of £21.67p.

One Granada shareholder said that if the company raised its bid to between 370p and 380p, "that would be just about OK". Another said that its decision would be swayed by the returns Granada thought it would give its shareholders at that price, and its plans if it did not win.

As the bid enters its crucial stages there is no sign of a deal being brokered between the two sides. The acquisition will either go ahead in its entirety or it will not according to senior Granada executives.

Changing sentiment puts bid in doubt

It is one of the more remarkable changes of City sentiment in the middle of a takeover battle.

Just six weeks ago, when Granada launched its hostile £3.3bn bid for Forte, the hotels group seemed to stand a poor chance of retaining its independence. It had a lacklustre profits record, some analysts criticised its management for tardiness in restructuring and the opening offer from the highly regarded Granada team seemed pitched at a reasonable price.

Yet this week, when Forte presented a well received defence document to investors, it became clear that the mood had switched. Many in the City now think Forte has a reasonable hope of escape.

Some of the credit must go to Sir Rocco Forte, the chairman, who has assembled a strong team of financial advisers and been willing to push through a sweeping restructuring.

However, two other figures have played particularly important roles behind the scenes.

Mr Keith Hamill, right, Forte's 42-year-old finance director is one of three men on a sub-committee of the board overseeing the defence, along with Sir Rocco and Sir Anthony Tennant, non-executive vice-chairman. He played an especially large role in developing this week's defence document.

The other is Mr Roberto Mendoza, vice chairman of JP Morgan, the blue-chip US bank and a friend of Sir Rocco from their school days. He built up Morgan as a force in Wall Street takeovers during

Martin Dickson reports on Forte's effective defence to Granada's hostile £3.3bn offer

the 1980s and was brought in as a special adviser by Sir Rocco.

Central to the improvement in Forte's chances has been its willingness to sell assets representing almost half the group's turnover, including its restaurants, activities and Lillywhites, the sporting goods retailer, and its ability to find buyers at respectable prices for most of these businesses in just a few weeks.

The rump Forte will be a "pure hotels" group - a contrast to the diversified Granada - and the disposals would fund the largest share buy-back in UK corporate history. Improving cyclical prospects for hotels has also allowed Forte to commit itself to dividend increases of 20 per cent a year over the next three years.

Granada argues that this burst of activity is purely a response to its bid, underlining the poor quality of Forte's management. Mr Gerry Robinson, Granada's chief executive, quips that the group has produced more strategy "in 10 days than in 10 years". Other critics wonder whether Mr Mendoza has played the role of *eminence grise* in setting Forte's new agenda.

He joined accountants Price Waterhouse from university, rose to partner, and worked as an auditor on the Guinness account at the time of its 1986 bid for Distillers. He was called as a witness in the subsequent trial of Mr Ernest Saunders, the former Guinness chairman, over the conduct of the bid.

He was recruited to Guinness in 1988 by Sir Anthony Tennant, then chairman of the drinks company, and rose to be finance director of United Distillers, its spirits subsidiary, before joining Forte as finance director in September 1988.

Mr Mendoza appears to have played at least three important roles. One has been co-ordinating the huge advisory team, which is led by SBC Warburg and includes Morgan Stanley, the US investment bank, and brokers UBS and Cazenove.

Mr Hamill acknowledges that in the first days of the bid there was confusion in the Forte ranks like "being on the Titanic when the iceberg struck". Now, he says, the team is working extremely smoothly.

Mr Mendoza has also been generating ideas. As he has little experience of the UK takeover business, these are thought to have included questioning of the traditional British assumptions about bid tactics.

And he seems to have generated confidence in the Forte camp. Mr Hamill reckons an important point came when a newly arrived Mr Mendoza told his first defence team meeting that "it was perfectly possible we would win".

He may be proved right. But the ball is now in Granada's court, and much will depend on the strength of its return next week.



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He may be proved right. But the ball

Congrat-
ulations Audi,
BMW and Lotus
on your presti-
gious awards
by AutoWeek.
Our Opel
Vectra team
could hardly
be in better
company.

Winning international awards for excellence is a heart-warming, but quite familiar experience for our engineers and designers. In fact, they can point to some five dozen major awards, just in the last three years. Naturally, further acclaim is always welcome to our team – as it is to Opel customers, who can be even more certain that they've made a wise choice.

This time, it was our brand new Vectra that won its first trophy: influential AutoWeek

magazine selected it as "the most significant" car at the Frankfurt International Motor Show. That's good news, especially as we shared the honours with three other highly respected names in the car business: Audi, BMW and Lotus. Each one was cited for a different aspect of automotive excellence.

So, bravo to our fellow award-winners and the Opel Vectra team for another great job. As we're sharing the honours, we'll happily share the

champagne. It's due to flow this week, during the official AutoWeek trophy presentation at the Tokyo Motor Show.

Cheers!

OPEL 

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS
Gold gets off to a flying start

The gold market made a flying start to the new year as US-based investment funds rediscovered their taste for the precious metal.

On the London bullion market the gold price burst through the upper end of last year's restricted range to prepare the ground for a possible assault on resistance at \$400 a troy ounce.

"Everyone is very, very positive," one dealer told the Reuters news agency yesterday, after the price had peaked at

at the London Metal Exchange, where analysts were trying to predict where the current copper price slide would bottom out.

Fulfilling late December's gloomy auguries, the three-month price plunged to a 14-month low of \$2,520 a tonne at one point on Thursday and closed yesterday at \$2,555.50, down \$15 on the day and \$103 on the week.

Another big fall in LME stocks took the total to the highest level since December 1984, and traders said that while that trend persisted a test of Thursday's low would remain on the agenda.

The only factor supporting the market was the continuing nearby tightness, which widened the cash premium over three-month metal to \$187 a tonne, well below the \$300-level reached late last year but still substantial enough to discourage operators from selling the market short, dealers told Reuters.

Other base metals followed copper's lead, notably aluminium, which, until this week had been showing some resilience. The three-month price bounced by \$10 yesterday - helped by news of a smaller-than-expected stocks fall - but still ended \$51 down on the week at \$1,643.50 a tonne.

Nickel prices also ended well up from the lows. The three-month position dipped to \$7,455 a tonne on Wednesday but closed yesterday at \$7,720, down \$210 on balance.

At the London Commodity Exchange robusta coffee prices remained under pressure, despite concern about cold weather and heavy rain in Central America and Brazil.

As producer selling, mainly by Vietnam and the Ivory Coast, capped an attempted rally the March delivery price ended the week at \$1,734 a tonne, down \$35 overall but well above Wednesday's life-of-contract low of \$1,684.

Nearby supply tightness was still in evidence, with the premium for the prompt January position ending at \$1,556 a tonne, little changed on the week.

It was a very different story

Richard Meekay

LEAD WAREHOUSE STOCKS
(as at Thursday's close)
tonnes

Aluminium 8,500 in 500,025

Aluminium alloy 254,000 in 251,178

Copper 18,750 in 18,750

Lead 1,500 in 1,500

Nickel 210 in 44,476

tin 2,300 in 2,300

Zinc 6,000 in 6,000

Tin 145 in 11,500

LEAD (5 per tonne)

Closes 690.02 in 694.50

Previous 693.5-1.5 in 695.0-0.5

High/low 696 in 697.00

AM Official 695-07 in 690-21

Kerb close 693-03

Open Int. N/A

Total daily turnover N/A

LEAD (5 per tonne)

Closes 771.5-25 in 782.40

Previous 7510.20 in 7630.40

High/low 7870.70 in 7890.70

AM Official 7890-10 in 7900-10

Kerb close 7890-10

Open Int. N/A

Total daily turnover N/A

LEAD (5 per tonne)

Closes 6200-00 in 6300-10

Previous 6275-00 in 6300-300

High/low 6300-00 in 6300-040

AM Official 6270-75 in 6250-300

Kerb close 6250-300

Open Int. N/A

Total daily turnover N/A

LEAD (5 per tonne)

Closes 2740-45 in 2855-55

Previous 2755-50 in 2750-71

High/low 2730 in 2520-222

AM Official 2780-25 in 2540-42

Kerb close 2540-42

Open Int. N/A

Total daily turnover N/A

LEAD (5 per tonne)

Closes 1009.50-10 in 1020-33

Previous 997-08 in 1020-25

High/low 1020-25 in 1020-01

AM Official 1001-1.5 in 1028-23.5

Kerb close 1028-23.5

Open Int. N/A

Total daily turnover N/A

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Previous 997-08 in 1020-25

High/

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Saturday January 6 1996

Fiscal crisis of the state

The US has one, Europeans have one and now even Japan has one. What do they all have? A serious fiscal problem. This is the theme of the decade, one that will shape the rhythm of financial life and form the cacophony of political debate in almost every industrial country.

In the US this week, hardline republicans in the House of Representatives warned Mr Robert Rubin, the treasury secretary, that he could face penalties, if not impeachment, should he continue to take extraordinary actions to avoid a default on US public debt. This notion may be difficult to take in the first time. Try again.

Meanwhile, the servants of the world's most powerful country are working unpaid. As Mr Robert Dole, the Senate majority leader caustically remarked, "there are not many rich people working for the federal government; they have mortgages to pay, vacations to plan". Yet even if there were a temporary agreement to keep the government at work, this would not resolve the underlying conflict, let alone deliver a balanced budget. As Mr Stephen Roach of Morgan Stanley argued in the FT this week, "the best we are likely to see is a plan based on back-loaded spending cuts, front-loaded tax cuts, immunity for social security and dubious economic assumptions".

The US provides farce; Europe offers folly. The Maastricht treaty's fiscal criteria are, it appears, to be applied to 1997 data without cyclical adjustment. Consequently, virtually every country is committed to cutting its fiscal deficit, willy nilly.

France looks like a dog chasing its own tail. Mr Alain Juppé's government may have survived the challenge on the streets to its measures to slash the social security deficit. So, on the whole, have the measures. But partly because of the strike, partly because of the fiscal squeeze and partly because of the general slowdown in the European economy, the French economy is expected to expand by 2 per cent or less, between 1995 and 1996. It could be far less.

Missing the target

If growth were to be as slow as many fear, the fiscal measures now in place would probably fail to deliver the target general government deficit, which is 3 per cent of GDP, by 1997. The government would then presumably feel compelled to introduce another restrictive budget, at a time of, at best, stagnation and, at worst, rising unemployment.

Yet France is far from alone in its difficulties. Even Germany is

teetering on the border between success and failure in meeting the Maastricht criteria. If it were to join France, Italy, Spain and most smaller countries in further fiscal tightening, an outright recession could not be ruled out.

Most surprising of all, even Japan has fallen into a fiscal trap. This is not obvious in the conventionally measured fiscal deficit, which was only about 4 per cent of GDP last year, or in the ratio of net financial liabilities to GDP, which was a mere 11 per cent.

Realistic indicator

Yet some estimate that the true fiscal deficit is double the official figure, while the low ratio of net debt reflects an accumulated social security surplus that will run down quite rapidly as the population ages. For this reason the gross debt ratio, already 83 per cent in 1995, may be a rather more realistic indicator of Japan's long-run debt position.

To this ought to be added at least a part of the bad debts of the banking system. True, strong popular objections to the proposed Y685bn (£4.36bn) bailout of the housing finance institutions, or *jusen*, suggests the Japanese government may not be allowed to provide much of the needed official assistance. Unfortunately, economic recovery would then be hobbled.

Stock markets have shrugged off these fiscal woes. They are probably right to have done so, since most of the economic fundamentals are healthy, notably the ongoing liberalisation, low inflation and dynamism of Asian developing economies.

Yet these fiscal difficulties will not go away. The overall ratio of government spending to GDP in industrial countries stabilised in the early 1980s. It did so, however, at levels that individual governments were unable, or unwilling, to cover by taxation. This was so largely because in each country, if at different levels, voters had reached the limit of tolerable taxation. The resulting fiscal deficits, compounded at strongly positive real interest rates, increased the ratio of gross public debt to GDP, from 41 per cent in 1980 to 72 per cent in 1995. Unfunded pension promises ensure there is worse to come almost everywhere.

Governments will be punished if they inflate their way out of their quandary; they will not be permitted to tax their way out; and their economies will probably not grow out of it either. What is left is just to writh away unceasingly at the promises made in an earlier, happier era. No wonder politicians are so unpopular.

Mr Tomiichi Murayama, Japan's septuagenarian prime minister, yesterday chose a poetic image worthy of a Zen master to bid farewell to the Japanese public.

Gazing into a clear blue sky on new year's morning, the former fishing union official felt inspired to explain to an astonished nation, to give himself, the government and the people of Japan a fresh start.

Mr Murayama chose yesterday for the public announcement of his resignation. He had earlier informed Mr Ryutaro Hashimoto, president of the Liberal Democratic party, the dominant partner in Japan's governing three-party coalition, and the most likely candidate to succeed him.

"I was chased by one incident and accident after another," Mr Murayama reflected. He leaves after 18 of the most turbulent months in modern Japanese history - a period which has included an earthquake, an upsurge in urban terrorism and financial and economic disaster.

Mr Murayama was widely expected to step down - though not as early as this - if only because his position had become untenable. He had been criticised for ineffective leadership and was deeply unpopular with his own leftwing Social Democratic party following his acceptance of an invitation, in June 1994, to join an alliance with the arch-enemy, the conservative LDP.

On several occasions recently he had warned the Liberal Democrats he was becoming exhausted. Each time, they persuaded him to stay, conscious of the value of the Social Democratic party's 63 seats in maintaining the 303-seat parliamentary majority.

But this time, Mr Murayama argued that the new year, July, before the start of the next regular parliamentary session on January 22, was a good time to go - and the LDP was unable to stop him.

There will be few policy changes in the wake of Mr Murayama's retirement: the main planks of present policy - high public spending, low interest rates and gentle deregulation, leavened with more assertive foreign diplomacy - were formulated, after all, by the LDP.

But his retirement clears the way for open warfare between the two most powerful men in Japanese politics - Mr Hashimoto, 58, and Mr Ichiro Ozawa, 53, a master strategist who was elected last month as president of the opposition New Frontier party.

The two men have been rivals behind the scenes since their careers started in the late 1960s when both were in former prime minister Kakuei Tanaka's faction of the LDP, modern Japan's greatest political dynasty.

Since then, Mr Ozawa has re-created himself, changing from manipulator of party factions and virtuoso of money politics, into crusader of reform. Mr Hashimoto, meanwhile, has capitalised on Mr Ozawa's defection from the Liberal Democrats three years ago, to seize the party crown almost uncontested, and to come within close reach of the prime ministership.

For foreign investors and business executives, their rivalry will mark an important stage in Japan's evolution into a more open economy, less obscured by behind-the-scenes bargaining between politicians and bureaucrats. The new government, under attack from the recently promoted Mr Ozawa, may be forced to clarify and justify its hitherto muddy economic and financial policies.

Its weakest point is the unpopular allocation of more than Y685bn (£4.36bn) of public money towards liquidating bankrupt housing loan companies, or *jusen*. Mr Ozawa is too sensitive to the need not to demolish international credibility in Japan's banking system to block the *jusen* plan entirely. It must be approved by

parliament by the end of March.

But the New Frontier president, who has promised to hit the issues hard in parliamentary hearings later this month, will give Mr Hashimoto an especially rough ride in the knowledge that his rival is vulnerable on the subject.

As finance minister from 1989 until 1991, Mr Hashimoto decreed that banks must stop increasing loans to the *jusen*, but permitted agricultural co-operatives to continue lending to them, for what turned out to be excessive property speculation.

That would please senior Japanese businessmen in spite of the instability financial markets that a budget delay would cause. Their first reaction to Mr Murayama's resignation was to drop their habitual reticence and call for a snap election, in the hope of replacing the three-party alliance of socialists and conservatives with a more coherent alternative. "It is impossible for a three-party coalition to carry out the kind of structural reforms which Japan needs," says Mr Takashi Imai, president of Nippon Steel, the world's largest steel producer.

Whatever its outcome, the election will mark another step in a tortuous realignment from the old system of one-party LDP rule, towards a two- or three-party system in which policies may be more sensitive to voters' aspirations.

The LDP may well hold nearly as firm a grip over the new system as the old. But, thanks to a reform of electoral rules and controls on

party political fund raising passed by Mr Murayama's government, all politicians will be obliged to compete harder for seats on the strength of their policies, rather than through patronage.

The new phase of political turbulence will begin next Thursday when the Murayama cabinet will resign, to prepare the way for a parliamentary vote by all MPs to choose a new prime minister. It is likely, but by no means certain, that Mr Hashimoto, who has the formal support of his party, will win that vote. He yesterday wasted no time in stating his willingness to take on the prime ministership.

Mr Ozawa is widely expected to stand against his old rival.

Militating against Mr Hashimoto's chance of success, is the risk that many members of Mr Murayama's Social Democratic party will defect or abstain in the vote. They never liked the alliance with the Liberal Democrats or Mr Murayama's eagerness to please the LDP by abandoning most of his party's policies. However, the LDP has calculated that Mr Hashimoto might well win enough votes even after defections from the Socialist party.

To compensate for any Socialists' defections, Mr Hashimoto can count on a deepening split in the New Frontier party. The NFP is split between followers of Mr Ozawa and those loyal to Mr Tsutomu Hata, a former prime minister who lost heavily to Mr Ozawa in last month's leadership poll. Some of Mr Hata's followers have indicated that they will abstain in next week's vote.

One thing is clear - both Mr Hashimoto and Mr Ozawa are eager for an early general election, well before the July 1997 deadline. Yesterday's events represent another lurch on Japan's progression to a more modern democracy. It is an erratic process and the destination is still in doubt. But Japan's political realignment, so far tortuously slow, now looks as if it will speed up this year.

Fierce follow-the-leader game

The resignation of Japan's prime minister opens the way for warfare between the two most powerful politicians, says William Dawkins

There will be few policy changes in the wake of Mr Murayama's retirement: the main planks of present policy - high public spending, low interest rates and gentle deregulation, leavened with more assertive foreign diplomacy - were formulated, after all, by the LDP.

But his retirement clears the way for open warfare between the two most powerful men in Japanese politics - Mr Hashimoto, 58, and Mr Ichiro Ozawa, 53, a master strategist who was elected last month as president of the opposition New Frontier party.

The two men have been rivals behind the scenes since their careers started in the late 1960s when both were in former prime minister Kakuei Tanaka's faction of the LDP, modern Japan's greatest political dynasty.

Since then, Mr Ozawa has re-created himself, changing from manipulator of party factions and virtuoso of money politics, into crusader of reform. Mr Hashimoto, meanwhile, has capitalised on Mr Ozawa's defection from the Liberal Democrats three years ago, to seize the party crown almost uncontested, and to come within close reach of the prime ministership.

For foreign investors and business executives, their rivalry will mark an important stage in Japan's evolution into a more open economy, less obscured by behind-the-scenes bargaining between politicians and bureaucrats. The new government, under attack from the recently promoted Mr Ozawa, may be forced to clarify and justify its hitherto muddy economic and financial policies.

Its weakest point is the unpopular allocation of more than Y685bn (£4.36bn) of public money towards liquidating bankrupt housing loan companies, or *jusen*. Mr Ozawa is too sensitive to the need not to demolish international credibility in Japan's banking system to block the *jusen* plan entirely. It must be approved by

parliament by the end of March.

But the New Frontier president, who has promised to hit the issues hard in parliamentary hearings later this month, will give Mr Hashimoto an especially rough ride in the knowledge that his rival is vulnerable on the subject.

As finance minister from 1989 until 1991, Mr Hashimoto decreed that banks must stop increasing loans to the *jusen*, but permitted agricultural co-operatives to continue lending to them, for what turned out to be excessive property speculation.

That would please senior Japanese businessmen in spite of the instability financial markets that a budget delay would cause. Their first reaction to Mr Murayama's resignation was to drop their habitual reticence and call for a snap election, in the hope of replacing the three-party alliance of socialists and conservatives with a more coherent alternative. "It is impossible for a three-party coalition to carry out the kind of structural reforms which Japan needs," says Mr Takashi Imai, president of Nippon Steel, the world's largest steel producer.

Whatever its outcome, the election will mark another step in a tortuous realignment from the old system of one-party LDP rule, towards a two- or three-party system in which policies may be more sensitive to voters' aspirations.

The LDP may well hold nearly as firm a grip over the new system as the old. But, thanks to a reform of electoral rules and controls on

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'finc'). e-mail: letters.editor@fi.com Translation may be available for letters written in the main international languages.

Implications of Internet access decision

From Mr Christopher J. Airey.
Sir, As both a subscriber to Compuserve and an Internet user, I was very interested in Compuserve's decision to deny access to some parts of the Net to its subscribers ("Internet groups are suspended over porn concerns", December 29).

It may be that it was a commercial decision, taken so as not to lose subscribers. However, I fear that, in acceding to the pressure that it came under, it may in the long run have made a serious

mistake. The decision it has made implies that it may be liable for the material published on the sites by other people, who it most certainly has no control over, unlike within its own service where it does.

It appears, therefore, that it believes that its own responsibility may be that of the newspaper publisher responsible for the content of the paper rather than that of the telephone company which is not, in the UK at least, sued by people who receive obscene

material.

Christopher J. Airey,
Little Newars,
Newars Road,
Good Easter,
Essex CM1 4SA,
UK

'Correct' value is the offer that cannot be refused

From Mr John Cahillane.
Sir, Re Samuel Brittan's column "Glad tidings of dead joy" (December 16/17), and Mr Tjeerd de Vries's subsequent letter (December 30/31). I have a painting which I bought 18 months ago in Peru for \$1,100. I like it very much but I try to preserve it by only stealing glances at it on weekdays.

If I were offered \$2,000 for it I would not accept; at \$20,000 I probably (now) would not; at \$200,000 I would. My only information as to its value to anyone else is the price at which it was offered for sale.

I wonder what is the "correct" value of the painting to me, or to you, and whether the methodology for deciding this applies also to, say, potatoes or tortillas?

John Cahillane,
1210 Corcoran Street NW,
Washington DC 20009,
US

Arts centre better than opera house for elite

From Professor Kevin Morgan.
Sir, You rightly made the point ("In praise of elitism", December 27) that access to cultural amenities is a more important determinant of industrial location than access to mineral deposits. You also rightly suggest that regional policymakers in the UK hadly made a shot at the "vision thing" by recognising that cultural projects are every bit as important to regional regeneration as new roads and bridges.

That in turn was largely due to

the successful economic policies of Friedrich List, who was not only the architect of the German customs union ("Zollverein") but a passionate opponent of Adam Smith and laissez faire economics. List is therefore not so well known in England as he is in Bonn, Seoul, Osaka and Tokyo! Whereas the Anglo-American traditions emphasise levels of consumption as an ultimate measure of progress, List argued that a country's wealth

is mainly determined by what society can *make* rather than what it can *buy*. To that end his support for free trade was heavily qualified by sustained governmental intervention.

So this rather separates the Anglo-American tradition from what has been German-Asian practice. Certainly there are aspects of the new Asian success that fall short of British ministerial and parliamentary standards.

Des McConagh,

10 Falkner Street,

Liverpool L8 7PZ, UK

Tradition that separates German and Anglo-American economic practice

From Mr Des McConagh.
Sir, Judy Dempsey blames Bismarck for Germany's high-cost social welfare system ("Employers count the cost of Bismarck's welfare legacy", December 29). That is only half the story. And while Bismarck did want to beat back the Social Democrats the urgency of his reforms was actually dictated by the phenomenal growth of the German economy.

That in turn was largely due to

Nevertheless, there is no denying that it is this mixture of market and intervention that contributes to their success. Perhaps David Willets, UK minister for public services, or Peter Mandelson, his Labour shadow, ("Leaders for a New Millennium", December 29) should now turn to Friedrich List.

THE BIG STORIES ABOUT THE SMALL PRINT



This week's Investors Chronicle comes with a 24-page special report to help you spot the hidden costs and pitfalls of even the safest looking investment products. Entitled 'Savings Traps', this essential guide provides a detailed look at what the banks, building societies, investment groups, insurance companies and brokers are really up to.

To avoid counting the cost of your savings in the future, you could wisely make a risk-free investment now.

The latest issue of Investors Chronicle - complete with 'Savings Traps' is on sale from 5th January 1996 from your local newsagent. Price £2.00.

INVESTORS CHRONICLE
THE CITY INSIDE OUT

When Mr John Kemp-Welch joined the eminent stockbroking firm of Cazenove & Co in 1988, he received a note of welcome from one of the younger partners. "I have always enjoyed my short time here and the atmosphere, at times electric, is normally the best of fun," the partner wrote.

In Mr Kemp-Welch's latest job, the atmosphere has also been electric, but rather less fun. As chairman of the London Stock Exchange, he not only coordinated the abrupt dismissal of the chief executive, Mr Michael Lawrence, on Thursday morning. He also had to explain why he had been so ruthless.

Mr Kemp-Welch, used to operating in the discreet environs of Cazenove for most of his working life, looked like a mole who had been dragged blinking into the light as he set about the task at a press conference. He caused bemusement among some reporters by sticking doggedly to his prepared text.

Appointed a year ago after retiring as joint senior partner of Cazenove, Mr Kemp-Welch was not naturally suited to dispelling the suspicion that Mr Lawrence had fallen victim to an old boys' club. With his pinstriped suit and short back and sides, he appears an archetypal City financier.

The manner of Mr Lawrence's departure provided plenty of material for conspiracy theorists. He was dismissed shortly after several of the largest City investment banks rebelled against the way in which he was implementing

reforms. He has indicated since that the City's forces of reaction were at work.

Mr Kemp-Welch seems an ideal candidate for leader of a City version of the "men in grey suits" who used to dispose of the Conservative party's unwanted leaders. His father was also a Cazenove partner, and he has worked in the City ever since leaving Winchester, the boys' public school.

He also displays many of the qualities of an establishment figure, combining charm with self-confidence and decisiveness. At Cazenove, he instituted reforms to the most pukka of brokers without spoiling its air of discretion and exclusivity in the City.

Those who worked with him at Cazenove admired the manner in which Mr Kemp-Welch retained the qualities of a partnership while introducing management disciplines. He slowly transformed the firm into a shape that would survive its sacrifice of its old virtues.

Mr Kemp-Welch showed the brash side of his character in dismissing Mr Lawrence on Thursday. After consulting members of the exchange's board, he called Mr Lawrence to a meeting, and set him a deadline of half an hour to resign. Even with the help of

lawyers, Mr Lawrence was out within three hours.

He explained that it would have been worse for Mr Lawrence if he had been less decisive. "My experience in cases like this is that it is better there is a clean break," he said. To allow Mr Lawrence to work notice would have been "a recipe for indecision and lack of leadership".

Some ascribe to Mr Kemp-Welch's scrupulous sense of fairness. "He has exceedingly good judgment, and he thinks things through without rushing into them," says one colleague. "He will always listen carefully to an argument and make a decision without any prejudice to one side or another."

Yet before that decision is made, he remains sphinx-like. One reason is physical: he lost an eye at the age of six, which has left him with a slight squint and makes him difficult to read.

Whatever the rights and wrongs of this week's events, Mr Lawrence should have seen what was coming, and his insensitivity blinded him to the degree of discomfort he was causing. Yet some government officials were disconcerted by the suddenness of the move, saying that Mr Lawrence deserved more warning.

Such rapid and unforeseen action is characteristic of Mr Kemp-Welch. Those who have worked with him say his views are often hard to discern. "He is totally opaque," comments

one former colleague, who says that Mr Kemp-Welch tends to follow written notes in meetings, and is uneasy about giving away his personal views.

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The exchange now has a board representing members, and a more powerful executive led by a chief executive. Given the breadth of membership from the largest investment banks to small regional stockbrokers, there is immense potential for conflict between owners and executive directors.

Mr Lawrence put some members' noses out of joint by pushing to the limits the powers of the chief executive. Some members complained that by chairing various policy committees, he in effect blocked an important channel through which they could exercise an overview.

One broker says he was surprised that Mr Kemp-Welch took the job of chairman in the first place. "If I had quite a high profile at Cazenove and was 57 years old, that is not the way I would like to see my days out," he says, arguing

"to formulate and drive through strategy" and "win the confidence of member firms" and get their approval for strategy.

That would be a tough task at the best of times, but it is becoming more so as the exchange faces critical debates on the methods of share trading in London. In practice, Mr Kemp-Welch will be forced to perform the job according to his own specifications while many if not all of the decisions on this are taken.

One member says there is inevitably a gap between the views of an ambitious chief executive, and members. "There are 1,100 people and it costs £1m a year to run. As a member, I find that unacceptable, but if you are an executive, you have a motive to expand services and costs," he says.

One broker says that Mr Kemp-Welch's awkwardness at having to operate under the public gaze does not indicate the challenge is beyond him. "He is clearly not terribly good at the public role, but just because he finds it hard to operate in the limelight does not mean he is ineffective," he says.

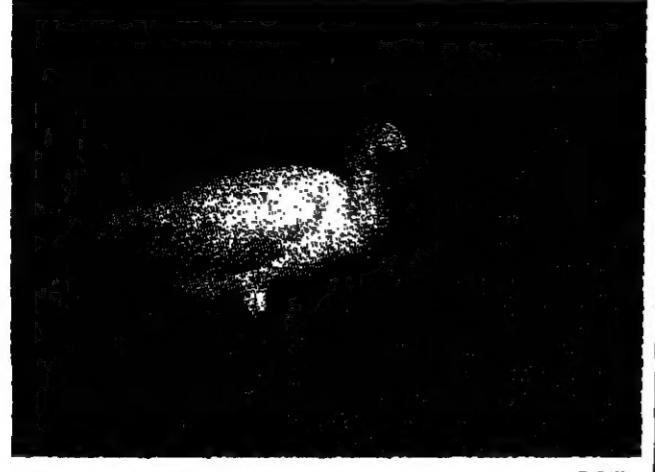
However Mr Kemp-Welch manages the task over the next few months, it is unlikely to bring him as much joy as working at Cazenove. Yet the general City consensus is that he has a good chance at any of achieving harmony at the exchange. He not only has the experience of running Cazenove, but the contacts of the true insider. But he must now justify his treatment of Mr Lawrence by showing that he can do better.



Man in the News · John Kemp-Welch

Epitome of a true insider

John Gapper on the discreet but ruthless Stock Exchange chairman



I was besieged by interesting letters after my column of Saturday December 16, when I reported an experiment – involving the theoretical gift of a bottle of wine – to test popular economic beliefs ("Glad tidings of dear joy"). Perhaps it was the season, but the topic obviously attracted more attention than the Bank of England's inflation forecasts.

Readers of a newsletter were asked the question: "Suppose you bought a case of good 1982 Bordeaux for \$20 [a bottle] and it now sells for \$75. You give a bottle to a friend. Which of the following best captures your feeling of the cost to you as a gift?"

The correct economic answer was meant to be \$75. For it will now cost you \$75 to replace the wine you give to a friend.

This answer was one of five options given to the newsletter's readers. But only a minority accepted it. The other options ranged from "Nothing. I paid for the bottle already" to a gain of \$55 – "I only paid \$20 for a \$75 gift". The majority of responses were for these other answers, with zero cost coming on top.

I was reluctant to leave the matter there and threw open the question to FT readers with the enticement of a copy of my last book, *Capitalism with Human Face*, for the best comments. I was mildly surprised by the number of wine connoisseurs who insisted that they could drink without cost. They said that when they bought the wine it was an investment and when they drank it "they had it there". They obviously believed that, even if there is no free lunch, there is such a thing as a free bottle of wine.

Many readers showed knowledge of the practicalities of wine trading and the time and effort required to sell individual bottles. They would, however, have to know the academic world to appreciate that the question probably had in mind a perfect market, in which any bottle of wine could be bought or sold at a single established price.

The most comprehensive analysis

came from an architect, Nathan Silver, who receives my first prize. He listed the different kinds of "logic":

Existential logic: A feeling that certain continually descend on the past – "this is the first day of the rest of my life". So the wine is already there and I pay nothing more. "In its existential way this is unassimilable."

Legal logic: "The cost is \$20, the amount I paid for it." This is the familiar presumption encountered in law, where changing market values are often ignored.

Meditated logic: "Twenty dollars plus interest." It might dawn on an arbitrator that some account should be taken of the increased market value of the wine. But he or she does not want to take into account the whole of the difference between the initial payment and sales value. "Logically flawed, but commonplace. I am sure the High Court would never overturn an arbitration award with such a stated opinion."

Economic logic: "The cost of the wine is the \$75 it would take to replace it. This is nearly the economist's answer based on opportunity costs – a useful idea but not what the word "cost" usually means in real life.

Bimbo logic: "There is no cost, only profit." I only paid \$20 for a \$75 gift. This is equivalent to the advertising slogan which urges you to buy a cut-price fridge and thereby gain \$100. Nevertheless, as my original article showed, there are situations in which the bimbo would have a case – for instance, if he or she had always

intended to hand over a gift worth \$20 and no more.

A special prize goes to Vivian Bazalgette, who points out that "realisable value" is a better approximation than replacement cost to the economist's notion of opportunity cost. If it is easy to sell a bottle of wine at its current market value of \$75, the two ideas come together. But take another example: a machine that has become obsolescent. The only economic cost to the owner of parting with it is its scrap value. Hence the saying "Bygones are forever bygones".

I received some excellent explications of the principles of replacement cost accounting. But these are of no use when replacement does not make sense.

I was surprised by the number of wine

connoisseurs who insist they can drink without cost. Some go so far as to believe that, even if there is no free lunch, there is such a thing as a free bottle of wine

I have to admit, however, that the greatest personal value of the correspondence came from the further stimulus to my own thinking. My biggest worry with the supposedly correct answer was how a piece of good luck, such as a large increase in the market value of one's wine, could appear to impose a cost.

The answer is, surely, that two events have happened. The increase in the value of the wine may have made me wealthier. Indeed, if we assume that it is a case of six bottles, it may have made me better off by \$350 (\$450 minus \$100 minus interest).

The cost of giving the bottle to a friend is still \$75 in terms of the opportunities forgone – whether in terms of selling the wine or drinking it oneself. On the other hand I may be in a better position to make a more expensive present.

Why is it that I only "may" be wealthier? I will be if it is a one-off purchase of a case. But take the example of a person who has purchased for \$20 wine that he happens to like very much, as well as wanting to give to friends. The rise in price could then reduce his wealth. For he will want to make repeat purchases of the very same wine, which will make larger inroads on his lifetime income – unless of course the wine falls back in price.

Even in the case of the single purchase, to become better off – other than in a gloating sense – the owner would either have to sell his asset or at least borrow on its strength. Such

market transactions are much more likely in the instance of a house than of a case of wine. A homeowner whose property has doubled in value can rationally borrow more to finance a higher standard of living (equity withdrawal). Moreover, even if he is content merely to live in his home, the knowledge that he could, if necessary, trade down and buy more goods than he could before increases his range of possibilities.

In the example of wine, none of these possibilities is very realistic unless the person concerned is a professional wine dealer. Conventional economic logic can show that – given stable tastes and a constant amount of altruism – he would be better advised to drink more bottles himself and give fewer away.

I cannot resist offering a consolation prize to a retired civil servant, A.T. Aitchison, who said that my problem reminded him of a recent Whitehall conundrum: what do two and two make? It depends whom you ask. The statistician will say that 99.9 per cent of the time it makes four. The economist's view depends on his doctrinal persuasion. The Treasury official will, however, ask: "What figure did you have in mind for an answer, minister?"

There is one more prize. This is to Harvey Cole, who asked about the economics of the prize. He assumed that the cost to me was zero, so long as stocks of my book were not exhausted and that, indeed, I derived a positive benefit from promotion. This would have been perfectly correct had I been my own publisher. But he must know that, however low the marginal cost of copies, publishers do charge authors for promotional copies over and above a certain free rate, long ago exhausted.

Finally, if any reader seriously wants to explore both the content and the limitations of the underlying arguments, I would recommend a book entitled *The Theory of Choice* by S.H. Head and others (Blackwell, 1994). The equations are mostly segregated in boxes for the attention of the conscientious. But do not expect this book or anything like it to make any of your wine-buying decisions for you.

A feathered celebrity

Taiwan's wildlife is benefiting from growing environmental awareness, says Laura Tyson

Wildlife appreciation in Taiwan has traditionally been confined to the dinner table. Times are changing – fortunately for the creatures that inhabit the island. But Taiwan's newfound environmental awareness has created problems both for business and for government officials charged with promoting the country's economic development.

One of the chief beneficiaries of these changing attitudes – in a country where the plumage of luxury cars is still more prized than that of rare birds – is the black-faced spoonbill.

This endangered waterbird, known for the comical way it waggles its spoon-shaped beak from side to side when feeding, has become something of a local celebrity. Every day, bus loads of birdwatchers, students and tour groups head for the Tseng Wen estuary near the southern coastal city of Tainan, armed with binoculars and telescopes, hoping to catch a glimpse of it.

Environmentalists first rallied to protect the spoonbill a few years ago, after a count revealed that only about 400 birds remained, and it has now become a focal point for the environmental movement.

The movement has gathered strength in recent years, helped by the advent of democracy in the late 1980s and Taiwan's improved economic circumstances. These have encouraged the people to complain more vociferously about the high level of pollution, caused mainly by the heavy industries that made the country rich.

Conflicts between industry and environmentalists have proliferated, as growing companies have tried to secure land – a scarce and expensive commodity in this crowded, heavily industrialised island. The black-faced spoonbill, therefore, is not popular with the companies that have been prevented from setting up factories near its habitat.

One industrial park that would have destroyed the spoonbill's favourite feeding ground has already been cleared. Now activists are trying to

Opera houses hit a sour note

Managers are engaged in a balancing act, says Antony Thorncroft

Yesterdays return to Covent Garden, and its future, is in doubt.

Such setbacks are not confined to Covent Garden. Big challenges confront most of the nation's opera companies. Perhaps the bleakest prospects are at Welsh National Opera, which last month saw its bid for £20m of lottery money to build a much-needed new opera house at Cardiff Bay turned down.

Scottish Opera faces the break-up of its orchestra as a full-time ensemble because of financial problems, while Opera North in Leeds risks losing its highly esteemed music director, to the English National Opera.

The ENO, in its turn, has had no music director since the abrupt departure of Ms Siân Edwards in November. And, on top of an accumulated deficit of more than £3m, it faces an agonising choice of whether to stay put at the crumbling Coliseum in central London or seek a future in a new purpose-built home, lottery money permitting. Only Glyndebourne, still very much the personal fiefdom of Sir George Christie, is financially and artistically secure.

But it is Covent Garden that commands centre stage. The Royal Opera House receives

about £1.5m in annual subsidy from the Arts Council. Last year it was awarded an extra £25m of lottery revenue – with the probability of receiving another £22.5m – towards its £21.3m redevelopment plan, which is mainly designed to modernise its archaic backstage working conditions.

Such vast sums are an easy target for those who maintain that opera is an elitist art form. Setting seat prices for appearances by the tenor Luciano Pavarotti at £275 does little to dispel the illusion that the lottery pounds of the poor are subsidising the pleasures of the wealthy.

Mr Isaacs devotes much of his time to courting such canards, pointing out that Covent Garden's international rivals in Vienna, Paris and Milan are up to twice as costly for the public purse. He argues that overpricing for Pavarotti enables Covent Garden to reduce seat prices for challenging

works, such as the recent production of *Hindemith's Mathis der Maler*. He can also find support in the public appetite for opera and dance audiences at Covent Garden's top 90 per cent of capacity, and on December 28 the seasonal favourite, *Tales of Beatrix Potter*, was sold out.

It is, however, a precarious financial balancing act. Mr Isaacs is committed to closing the opera house for redevelopment in the summer of next year. At the time of his retirement, his successor will respect a refurbished building with a second auditorium, new backstage facilities and a home for the Royal Ballet in the autumn of 1999 – in time for the millennium. The Arts Council is prepared to put up the lottery money to keep the dance company, the opera choristers and the orchestra together during the closure, but only if Covent Garden can come up with a viable commercial plan.

Mr Isaacs still hopes that GLE will find a possible successor tenant for the Tower Bridge Theatre. The first choice, the Disney Corporation, wants more time to consider. In the meantime Mr Isaacs must start planning a possible schedule which would include UK and foreign touring, performances at the Royal Albert Hall in Kensington, and limited seasons in unsatisfactory London theatres. He holds two aces. Neither the government nor the Arts Council can envisage Covent Garden closing down; the loss of national prestige would be too great. He also has the continued support of Lord Sainsbury and Mrs Vivien Duffield, who have pledged considerable sums, believed to be about £20m each, towards the £27.5m that Covent Garden needs to be sure of lottery funding for the new opera house. These are advantages that the directors of the UK's other opera companies can only view with envy.



MARKETS REPORT

Dollar stalls

By Philip Gash

The dollar's impressive start to the new year ran into the buffers yesterday as deepening unease about the continuing US budget conflict infected interest rate and currency markets alike.

The dollar's retreat started late on Thursday when the heightened rhetoric of the budget dispute, including Republican threats to try and impeach Mr Robert Rubin, the treasury secretary, unsettled the dollar and US bond market.

Most of the correction took place overnight, and the dollar was fairly stable during European trading. Traders said that market volumes were very heavy.

The uncertainty was enough to prompt some profit-taking on the part of those longer term investors who were expecting a sustained dollar rally. It closed weaker in London at Y104.885, from Y104.95.

The dollar pulled sterling

down with it, with the trade weighted index closing at 83.5, from 84.0. It lost more than two pence to finish at DM2.231, from DM2.262.

■ New Year dollar rallies look

forever fated to fall victim to

the unexpected: back in 1994,

an escalating trade dispute

between the US and Japan

unravelled a dollar rally. Last

year, it was the Mexican crisis

which performed the same

function, while this time round

it is the budgetary impasse

which is threatening to head

off further dollar strength.

Mr Paul Chertkow, head of

global currency research at

UBS in London, said the rhetoric

out of Washington meant

that the market had had a first

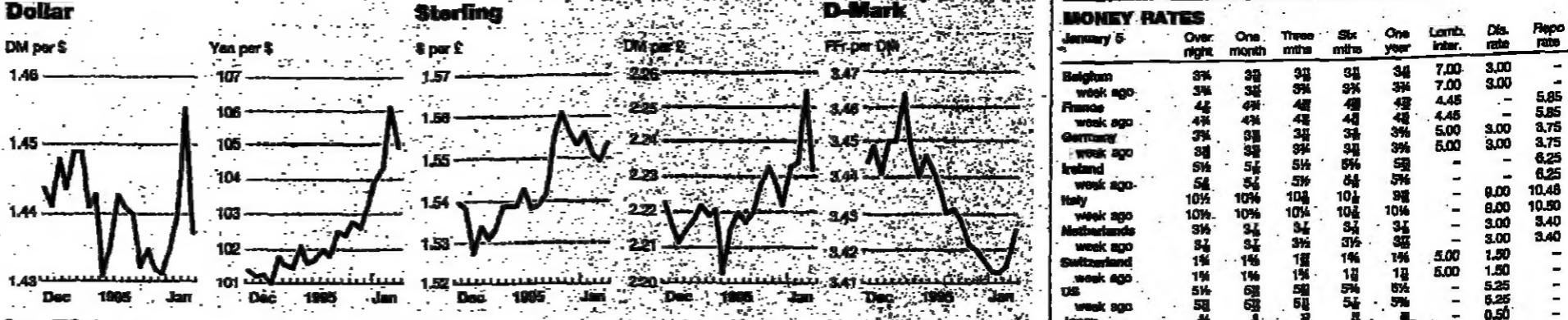
whiff of default - something

previously seen as a zero risk.

He said the uncertainty had

caused some dollar bulls to li-

CURRENCIES AND MONEY



Source: FT Est.

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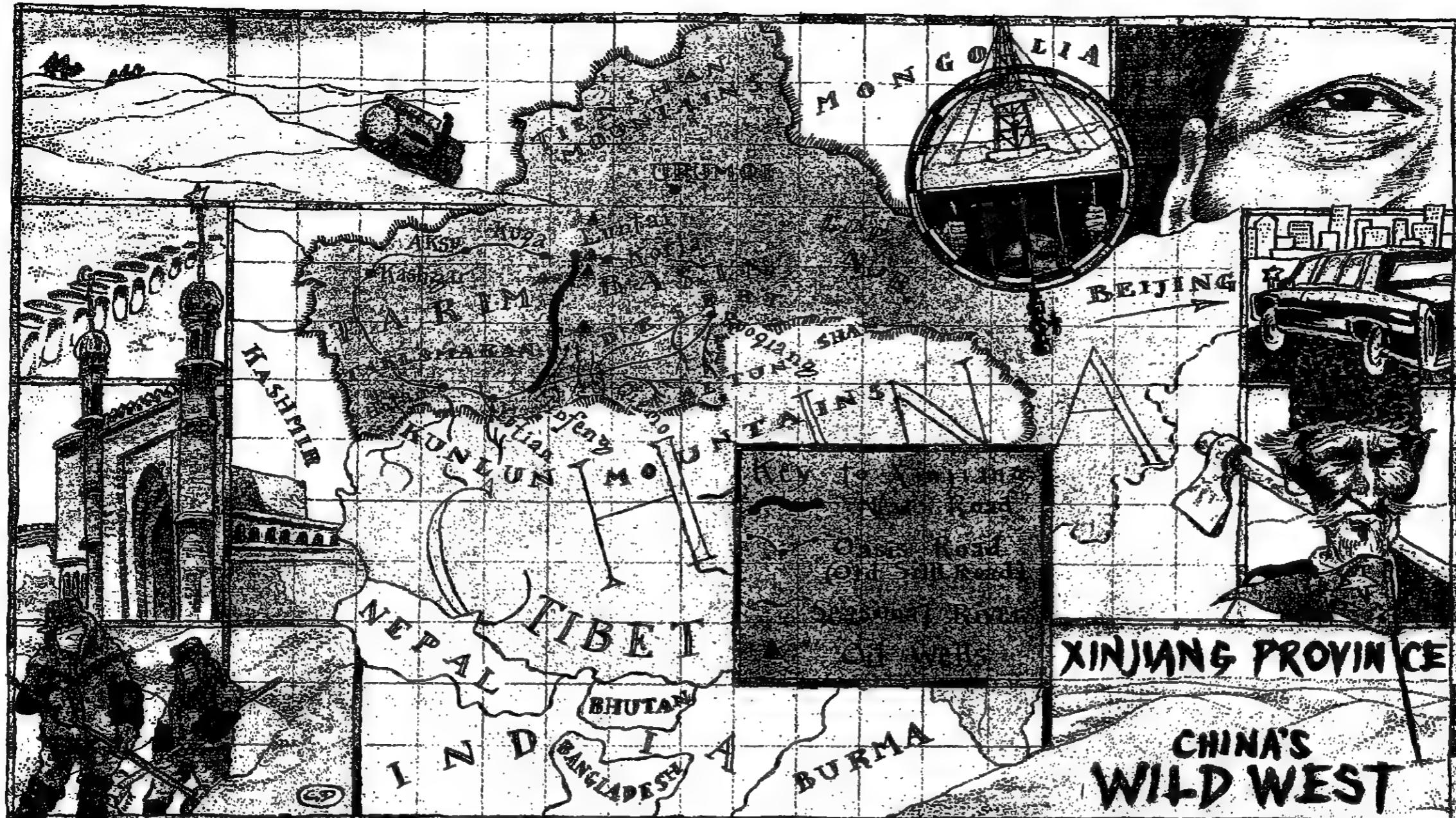
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Weekend FT



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The red flag in China's wild west

Christian Tyler braves the harshest of conditions to witness the economic development of the remote Xinjiang province

Out in the middle of the desert, five days' march from the nearest habitation, there was nothing to be seen: not a bird, not a fly, not a twig or a stone - just a petrified ocean of sculpted sand dunes, pale as death, stretching soundlessly to the horizon.

But suddenly there appeared among the frozen billows, at the foot of a dune where our camel train had halted and almost obliterated by the desert wind, the marks of heavy-duty tyres. Further on, somebody had planted a red flag in the yellow-grey sand.

"Oil prospectors," said the camel driver.

This is one of the loneliest places on earth, an empty space in China's wild west province of

Xinjiang. Protected by soaring mountain ranges on three sides and cut off from the east by the black pebbles of the Gobi, it has been shunned for centuries because of its evil reputation - the fearful *karakorum*, or spring sandstorm which turns the sky black, and temperatures that swing from over 50°C in summer to minus 50°C in winter.

Not until the arrival of the Swedish explorer Sven Hedin a century ago did any man dare to penetrate the Taklamakan - and he nearly died on his first attempt.

Nor, until a British-Chinese expedition two years ago, had anybody travelled the entire 1,000km from side to side. These days a few hardy groups of tourists are making forays into the sands.

The marker, a simple cane with a red flag, stood as a symbol of China's determination to exploit its newest dominion and last frontier. Hitherto treated as a military buffer zone against Soviet power, a test site for nuclear weapons and a dumping ground for political opponents - the equivalent of Russia's Siberia - Xinjiang has been caught up in the hectic economic development which some forecasters say will make China the dominant economy of the next century.

But development has its price. Not only is it expensive to build roads and railways over terrible terrain and the native population is becoming angry. In China's wild west, the unhappy part of the Red Indians has fallen to the indigenous Uighurs, Moslem people of Turkic descent and Caucasian appearance who inhabited

the oasis towns and villages round the desert's edge long before the Manchu armies arrived in the 18th century.

The Uighurs complain of economic apartheid. They say the signs of progress are going largely to the immigrant Chinese, the profits of agricultural and mineral exploitation are appropriated by Beijing and their culture and rights stripped from them. "We feel completely powerless," said a young Uighur in Urumqi, the provincial capital.

Although determined to push ahead, the Chinese are unsure of the real extent of Xinjiang's hidden wealth. Wang Tao-wang, president of the China National Petroleum Corporation, two years ago described the Tarim Basin in which the Taklamakan lies as "another Middle East". But

two auctions of drilling rights to foreign oil companies flopped and a third round, the results of which are about to be declared, is thought by western experts to have gone no better. Although Wang has been forced to revise his estimates, foreign companies are reluctant to pull out altogether in case the wind changes in their favour.

Most of the Tarim Basin wells are located on the northern edge of the desert, where the town of Koria is being developed as the principal refinery and transport terminus. But six-wheeler trucks continue to plunge into the desert, defying the dreadful conditions.

"We have had to redesign all our air filters for the desert," said a Mercedes-Benz engineer in Kucha, "and Caterpillar (the US earthmoving

equipment manufacturer) broke the first crankshaft in its history."

Now there are oil derricks in the very heart of the desert, pumping from a new field called Tashkong, 500km from Koria. The prospectors' mobile dormitories can be seen in torn huts at the furthest reaches of rivers faithfully fed by the glaciers of the Kunlun mountains to the south.

The most impressive example of China's determination to conquer the wilderness is the desert road now being completed from Luntai in the north to Minfeng (formerly Niya) in

the south, slicing the Taklamakan in half. A carriage way has been blasted through 350km of mountainous dunes; Alpine snow-prevention technology has been adapted to keep the fine sand at bay. The road is inhabited along its length by imported labourers - possibly prisoners - who sweep the surface and maintain the artificial barriers on either side.

The desert highway will bring economic progress - not to mention greater political control - to the undeveloped

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Joe Rogaly

The big EU squeeze

The government's future? The answer lies in orange juice

Enough, I am as pro-European as the next woolly liberal, but when the European Union messes about with my morning orange juice, watch out commissioners. Someone must be defenestrated. We avengers will strike soon... You might expect such irritability to lead me to cross the floor, to join the Eurosceptics, but I am hot and bothered, not mad.

The explanation is simple. Britain is apparently the world leader in marketing freshly-squeezed orange juice. Its distribution network, plus refrigerated lorries, is ideal for this branch of the just-in-time food industry. The squeezers import Late Valencia, the best for saleable juice, from wherever the fruit is cheapest at a particular time of year. Now they have been asked to pay a 20 per cent tariff if the oranges are not grown in Spain or Portugal or another EU country. Spain is the last place you would go for Late Valencia.

Unless granted a dispensation, this impost could distort an otherwise useful trade. I once sat next to an orange juice dealer on a flight to Madrid. He was off to set up a buying operation for Super Mega-foods, or some such corporation - anyhow, he said it sold one twentieth of all oranges bought in the US.

That is some spaghetti. It makes lottery money look like the confetti it is. He told how orange juice worked better than pork bellies. You might buy Florida one moment. Brazil the next. Mexico or north Africa the following week.

Mr Super Mega-food was moving the raw material for frozen juice, or concentrates, the pasteurised glop we had to drink before the freshly-pressed delight came in. That is what most Americans still swallow. In truth, no orange juice distribution system works better than keeping the divine fluid in oranges and squeezing it out immediately before serving, but who has the time? Britain's refrigerated, unadulterated, almost-fresh nectar is next best. Since we remain members of the EU, we are likely to be asked to pay more for every sip.

Or perhaps not. The European Commission, I was told when I called Brussels, recognises that Britain has a special problem here. It is in the midst of an internal debate about whether to allow UK squeezers of fresh juice to import a specified quota of non-EU oranges at a low price. They are having a meeting about it next week. The supermarket shelves will tell us what happens.

Sensible folk like you and I will at once perceive the lesson to be learned. It is not,

repeat not, to go all sulky and say that Britain should leave the EU. It is, rather, to determine that the tariff regime imposed quite legally under the world trade rules agreed in the Uruguay Round is liberalised at every opportunity.

Dispensations, special quotas, five-year delays, lower support prices, trade-offs, bargains, free access for Polish wheat - little by little the per-

sonal stands the prime minister, his heels dug in, cutting a deep scar in the earth as he is dragged ever closer to renouncing the single currency, or, indeed, any further evolution of the union itself.

The natural inclination on

the continent is to wait for

Britain to make up its mind

his continuation in office is

threatened by a vote of no

confidence. Both sides have

stressed that there is no deal,

covert or otherwise. The Con-

servatives will continue with

their present stance in North-

ern Ireland; the unionists will

keep the government in power

while they see an advantage

to themselves in doing so. It is

an agreement about power,

not principle.

As such, it is naturally pre-

carious. The possibility that

the government will fall during 1996 is stronger than it

was before Christmas. But

that is not the issue. What

should bother ministers with a

decent sense of public duty is

whether their government can

do its job properly.

On Europe and Northern

Ireland it may not be able to

for many more months.

Against that, Kenneth

Clarke's management of the

economy remains sound.

Remarkably, the chancellor

has not panicked. The tax

changes in his recent budget

were small; his approach to

reducing interest rates has

been circumspect. We shall

see if that lasts.

If it does not Mr Major

should step down, and take

his government with him. If

Mr Clarke's nerve holds,

watch Ulster and the EU. They

- and the price of oil - could

determine whether, and when,

the end has come.

The inclination on the continent is to wait for Britain to make up its mind

his continuation in office is threatened by a vote of no confidence. Both sides have stressed that there is no deal, covert or otherwise. The Conservatives will continue with their present stance in Northern Ireland; the unionists will keep the government in power while they see an advantage to themselves in doing so. It is an agreement about power, not principle.

This is only partly a consequence of the changing balance in the house of commons. Two backbench Tory MPs have defected to opposition parties, and deaths and by-elections have reduced the Conservatives' overall majority to three. In most other countries the natural outcome would be for the largest party - in this case the Tories - to seek coalition with one or other of the smaller factions. This is happening, sort of but not in the open, if scratchy, manner of the pact between the CDU and the FDP in Germany. Mr Major will rely on the Ulster Unionists if

PERSPECTIVES

The scare about whether humans can be infected with bovine spongiform encephalopathy - mad cow disease - brings new theory of disease transmission to the scientific stage. Prion theory revises the idea, laid to rest by Louis Pasteur over 100 years ago, that the agents of infectious diseases can be generated spontaneously.

Prion diseases include Creutzfeld-Jakob disease which affects man, the sheep disease scrapie and BSE. All cause degeneration of the brain. The essential event of the disease is the conversion of a natural chemical called prion protein (PrP) which occurs on the surface of all nerve cells and which is broken down and resynthesised continuously throughout life, into a form resistant to the enzymes that normally process it. The enzyme-resistant form of prion protein, known as PrP-Sc, builds up inside cells, killing them and causing extensive degeneration of the brain.

The novel theory, proposed about 10 years ago, is that the agent con-

Why I will continue to enjoy beef steak

The big question is whether the species barrier prevents humans being infected with mad cow disease

verting normal prion protein into PrP-Sc is simply PrP-Sc itself. Infection occurs when prion protein from a diseased brain is transferred into a healthy brain. As the disease takes hold, the host prion protein that has been converted into the diseased form triggers further conversion. Contaminated human hormones prepared from the brains of cadavers have been identified as a cause of CJD, says Charles Weissmann, of Zurich University.

Prion theory explains rather neatly why prion diseases do not transfer easily between species and why, once the disease has crossed the species barrier, it is easily transmitted between different members of the same species. The prion pro-

teins of different species differ in their amino acid sequences. This hinders the interaction that produces PrP-Sc in the host. But once the interaction has occurred, the resulting PrP-Sc is characteristic of the host, not of the donor.

Weissmann says that it takes a long time for material from mice with scrapie to cause the disease in hamsters, and vice versa. However material from hamsters with scrapie infects other hamsters quickly, whether the original source of the scrapie was mice or hamsters. Moreover, mice genetically engineered so that their brain cells produce hamster prion protein are easily infected by hamsters and mice engineered to produce no prion at all

are immune to scrapie.

The big question is whether the species barrier prevents humans being infected with BSE. There is no indication that this has happened, but it is difficult to prove that it never could. Two pieces of evidence are reassuring, although not conclusive.

First, according to Jeffrey Almond, of Reading University, humans seem not to be susceptible to sheep scrapie (thought to be the original cause of BSE) in spite of widespread consumption of infected animals. Second, experiments by John Collinge and colleagues at Imperial College School of Medicine show that mice with the human PrP gene can catch human prion disease, which normal mice cannot.

But these mice, which also have the normal mouse PrP gene, are no more susceptible to BSE than normal mice, and when they are infected with BSE they make mouse PrP-Sc and not the human form.

Experiments now under way with mice that have the human PrP gene but not the mouse PrP gene should give a clearer result, because if the species barrier between cows and humans is impermeable these mice should be immune to BSE. However it could be two years before they die from natural causes and allow the experiment to be completed.

The difference between the normal prion protein and the enzyme-resistant form is simply the way the molecule is folded. Proteins consist of long chains of amino acids, and the way the chain folds determines the properties of the molecule. According to Rosalind Ridley, of Cambridge University, most scientists believe that the conversion from PrP to PrP-Sc, which triggers the disease, can occur spontaneously. About 80 per cent of cases of CJD in humans appear to be spontaneous.

in the pattern of brain damage they produce in mice. Such a large variety is difficult to account for if prion protein alone is the infective agent. Bostock suggests that something else - another protein or perhaps nucleic acid - may be involved.

Ridley thinks that the number of different strains has been overestimated. "Almost everything can be explained by the difference between the host species and the donor... The real hard evidence for the existence of different strains comes if you do serial passages where you repeatedly infect genetically identical mice with material from the same type of mouse and you get diseases with different incubation times." Under these circumstances, she says, there are no more than two or three different strains.

Either way, it is impossible to prove that humans could not be infected by BSE. But that will not stop me enjoying steak.

■ The author is professor of psychology at the University of Nottingham.

Minding Your Own Business

Happy to be making sixpence many times over

Clive Fewins meets a growing props company which hopes to have fun along with success

Chris Dann and Martin Blake still get a sick feeling in their stomachs when they drive past the poster site at the junction of Cromwell Road and Warwick Road, west Kensington, London.

It is known in the advertising industry as the nation's most expensive site of its kind, and it is there that they made their biggest loss.

In 1991, a 20ft high inflation bottle of Martell cognac stood on the site for three months, the product of their 14-strong team of Cricklewood-based prop makers.

Together with the design, transport and erection costs, the project was an £18,000 undertaking. But because the intermediary through whom they received the commission went broke in the middle of the contract, Propshop eventually recovered less than £5,000 of the outlay.

"It was marvellous to be so visible at such a high profile site. Thousands of motorists who drove past must remember the huge bottle, but it could not have been a waste of time to lose so much money," said 33-year-old Blake.

"It came in the course of a year when a number of advertising agencies who had regularly employed us to produce props were feeling the recession.

"Total had debts that year were £28,000. By contrast, when we receive the final figures for the year ended in July we expect turnover to have topped £2m - more than twice as much as in 1991-2 - while we know bad debts have totalled just £73."

The 1991 story also had a happy ending. Dann and Blake still made a profit at the end of the year - as they have done in all the nine years Propshop has been trading.

The road to success, however, has been littered with problems.

There was the occasion when the police caught up with Dann on the motorway in Hertfordshire. They pointed out that a faulty back door on his van had meant that three of the four artificial palm trees he was transporting to Harrogate had fallen on the carriageway between Cricklewood and Watford.

On another occasion a float created for Nuclear Electric, to be used in the 1993 Lord Mayor's Show in London, hit a railway bridge in Spitalfields on the way to the marshalling point. A four-man rescue squad managed to refloat the mast and damaged hull of the large wooden mock-up of a yacht the company was sponsoring in a round-the-world race.

"Looking back over the years we have taken on a lot of jobs because of the fun element when we knew they were not going to make a profit," said Dann.

"Nevertheless profits in the past few years have been healthy. Propshop is anticipating a £150,000 pre-tax profit for 1994-95."

It is all a far cry from 1982 when Dann had been made redundant from Ledbrooks Hotels, where he had been involved in promoting

Designing and making props for large stores has been the fastest-expanding side of the business

conferences and Blake had trained as a window dresser. The pair took a £20-a-week, 350 sq ft space in a printing works on part of the site they now occupy. Formerly, the site was a horse-drawn bus depot and a ball-bearing factory in Oaklands Road, Cricklewood.

The two worked as self-employed colleagues until August 1986, when they decided to turn Propshop, the name they had unofficially adopted, into a limited company employing the seven painters and carpenters who had been working with them for the previous four years.

Success was swift. Propshop found work as varied as arranging Arabian evenings in hotels in Hampshire to marbling display areas in Selfridges store in Oxford Street, London.

"We took the view - we still do - that it was better to keep our workshop busy and make sixpence many times over than to concentrate on just a few lucrative launches and special events contracts via advertising agencies," said Blake.

Continued from Page I

southern oasis where Uighurs are still greatly in the majority.

Their oasis towns are linked by a rough and lonely road severed every few dozen metres by floodwater channels and fit only for trucks, jeeps or donkey carts. On this ancient route, part of the Silk Road which joined imperial Xian to imperial Rome, while caravans used to disappear in the desert storms. Conditions are still bad: dust as fine as talcum powder hangs in the air like a fog, reducing visibility to a few yards. And when the wind blows off the mountains life grinds to a halt.

These southern towns are already feeling the cultural impact of modern China. In Ruqiang (ancient Charklik) I found a bright new bus station built in the gaudy architectural style currently in favour, and nearby a camel stable which had been converted into a lock-up garage. Westerners

are rarely seen here; when they are, they are mistaken for Pakistani traders who come over the Karakorum pass to buy Uighur carpets, costumes and other artefacts for sale to the busy tourist trade on the other side of the mountains.

Like the cowboy towns of the old American west, the modern world in Xinjiang is only one brick thick. Town centres have been given a Chinese veneer - white bathroom tiles and tinted glass in shocking colours are popular - and the rows of mudbrick shops and dwellings are being replaced.

Life is more sophisticated and hectic on the northern side. There the road is real tarmac and crowded with motor-cycles, taxis and private cars ferrying Communist party officials and military bigwigs to interminable meetings. Lorries carrying coal, petrol or cabbages drive in endless convoys east and north through the precipitous Tianshan mountains to Urumqi.

Officials describe in glowing terms how the old Eurasian trade route is being recreated



Christopher Dann (left) and Martin Blake at their north London workshop

ment programme and the growth worldwide this does not seem to be happening," said Dann.

"Besides, the trend is towards what we call visual merchandising - the use of lots more props like those we make."

The company also supplies props to Hamleys, Selfridges, Dr Martens

and other high street names.

A healthy cash surplus means that Dann and Blake are negotiating the purchase of their lease, while at the same time they have their eyes on a similar-sized company that offers several services, such as silk screen printing, that Propshop does not provide in-house.

"After nearly 10 years of ups and downs, 1995 has been the year in which it all seems to have come together," said Dann. "Above all, we love doing it."

■ The Original Propshop, Turpins Yard, Oaklands Road, London NW2 6D1. Tel: 0151-208 1888.

The red flag in China's wild west

they acquire fluency in Chinese that it usually not enough to overcome the racial obstacle to promotion or well-paid government jobs, according to a Beijing-educated graduate who has chosen voluntary exile. Some city parents try to compensate by sending their children to Chinese schools.

Uighur couples are also permitted to have two children under China's one-child policy, but this is no help to a younger generation depressed by lack of opportunities. Drink, drugs and prostitution are now a serious problem among young Uighurs in Urumqi. They are increasingly demoralised, said Dilimur Abbas, whose family left for Australia some years ago. "When we left our friends said we were crazy," he added. "Now they want to get out too. Even my cousin, who has a job in a bank, wants to leave."

Racial tensions have increased as the economy prosers. Before anniversary celebrations in the capital in October, precautions were taken against "minority groups", which the Chinese routinely

accuse of "threatening the unity of the motherland".

Political demonstrations in

Xinjiang are rarely reported in

the Chinese press, and almost

never in the west. But there is

anecdotal evidence of recent

incidents in Kashgar, Khotan

and Kucha.

One of the most serious doc-

al over the province. The

human rights organisation

complained in its 1992 report of

"a pattern of violations" in

Xinjiang following the 1989

Tiananmen Square massacre.

Although under Chinese control for most of the past 200 years, Xinjiang was not colonised by the Chinese until after the Communist takeover in 1949. At that time the Communists disbanded large numbers of Nationalist troops stationed in the province and put them into camps to become what is today known as the Xinjiang Production and Construction Corps, a quasi-military labour force numbering more than 2.2m, according to Harry Wu, the Chinese-American human rights campaigner who spent 19 years in the camps for "wrong thinking".

The labour camps, or *laogai*,

are attracting high level scrutiny,

too. The World Bank last

month announced the results

of an investigation into claims

by Harry Wu that an irrigation

project it was financing in

half a million very poor people", most of them Uighurs.

As the western wilderness

opens up, Chinese immigration

is becoming more voluntary

than forced.

Opportunists are moving in to

pursue the lure of oil, coal, cotton and gold. Western backpackers are becoming a common sight in Kashgar and along the northern road. There is even talk of a theme park at Loulan on the eastern edge of the desert, with museum and chalets to overlook the remains of the 2,000-year-old Buddhist settlement excavated

early this century.

Like others of its kind, the

scheme is aimed mainly at the

Japanese, increasingly enthusiastic

travellers to the region. It

is not yet clear how the autho-

rities will overcome the obvious

drawback. Loulan is in the Lop

desert, close to the nuclear

testing ground.

Serious or not, the venture

perfectly illustrates the

dilemma of the Chinese leader-

ship as it opens Xinjiang Prov-

ince to the world. Driven by a

thirst for oil and a hunger for

tourist dollars, they can no longer afford to keep secret their

western wilderness - nor the

political and judicial regime

they are enforcing there.

PERSPECTIVES



Crippling legacy: one in every 246 Cambodians is a mine victim, and between five and 10 people are injured every day

An explosion of style in a sacred grove

Paul Adams meets an Austrian artist who has revived local culture in Nigeria

When Susanne Wenger came to Nigeria from Austria 45 years ago it changed not only her life but also the life and culture of the town of Osogbo where she has helped to revive the traditions of the Yoruba people.

By mixing European art with local crafts and beliefs she founded the New Sacred Art, which has brought the artist fame far beyond Osogbo and earned her the gold medal for art and literature from the Austrian government. In the process, Wenger has ensured that Osogbo's holy groves and shrines will survive, for her own lifetime at least.

Born 80 years ago, Wenger was a prominent artist and founder of the Art Club in Vienna after the second world war before, by chance, she discovered her life's work in Nigeria.

"I didn't know Nigeria existed. I was in Paris and met Ulli Beier (a teacher from Germany). As one easily gets friendly in Paris, we got friendly," she recalls in a small utilitarian room next to her studio.

"He was appointed a lecturer at University College in Ibadan, then affiliated to the University of London, but on one condition - that he got married."

She agreed to marry him and they spent the next two years in the sprawling Yoruba city of Ibadan, then the biggest city in Africa, where Beier helped to set up the adult education department. In Ibadan she quickly made friends with some traditional priests.

"When I got to Nigeria, I knew my arrival was serious. I had to be involved," she says. "I found there was an archaic culture, as I had found in Austria. I have always had the strongest experiences in archaic cultures."

The couple moved to Osogbo. They parted - although they remained friends - and both later remarried. Her second husband was a native of Osogbo.

He is now dead and she shares her house with a dozen or so of the extended family she has adopted over the years.

The house is a narrow three-storey Portuguese style building with no electricity but plenty of heat and mosquitoes. A huge bougainvillea grows up to the top floor where Wenger works and sleeps. A bewildering array of art and artefacts - pottery, sculpture, brass ornaments and jewellery, and cultural bark - jostle for position with strangely shaped furniture in the dark rooms or on the balcony where women cook overlooking a scene of rusty corrugated iron roofs and red dirt roads.

Around initiated into the Yoruba religion when she arrived in Osogbo, Wenger became one of the orisa, or priests. One of their holy places is a grove by the river Osun, a broad sweep of water which runs through tall tropical forest. Here the New Sacred Artists have created spectacular sculptures - some 20ft tall - depicting the Yoruba gods in part-human, part-animal form.

The work began when she encouraged the religious devotees to express their beliefs through art. They had absolutely no formal training, but some were descended from artisans.

"I built a shrine we needed for our ceremonies. To raise the money I sold some batiks I had made to the museum in Rhodesia (now Zimbabwe). After repairing the Osun shrine, I got some of our people to do pictures on the cement wall and I engraved them. The artists and I came together through ritual. They did on their own what I had hoped they would do."

Did they adapt their traditional crafts to modern art?

"They had no thought about it. They just explored with their own style."

That explosion created art which is known in galleries in Europe, America and Japan. "We started using starch to make the batik

known here as *batik*. I exhibited them in good galleries in London and Paris. Then Ulli Beier helped us get wax and dyes and we started to make wax batik to improve the colours."

She found others who shared her ideas, including the late Adeleke, a Nigerian businessman.

"He saw the New Sacred Art in Osogbo, liked it and wanted to place it next to the traditional Yoruba art. That was exactly what I was after." He decided to build a museum and bought a site in Lagos. The land has been seized by the military government since his sudden death a few years ago, but his son John is continuing to work on the project.

Although she is now small and frail-looking, Wenger still has the mental strength which helped her to win a rare battle for conservation in Nigeria - the preservation of the Osun groves.

Some Danish guns in her house - confiscated from poachers - are among the trophies of her stand against any threat to the sanctuary. As well as the illegal hunters and fishermen, these threats came from farmers who wanted to burn the grove down. Moslems suspicious of traditional religion who wanted to replace it with an Islamic school.

'The artists and I came together through ritual. They did on their own what I had hoped they would do'

and even the local chiefs who planned to sell it for building land.

After a long struggle, former military ruler Ibrahim Babangida, not a noted conservationist, was persuaded to sign a decree preserving the grove. Now the only invasion occurs each July when thousands of tourists converge on Osogbo for the Osun festival. Most are black Americans and Brazilians trying to trace their culture. Many of the slaves sent to Brazil were Yorubas and their descendants still have a form of the religion and language.

"Without Susanne Wenger, the groves would not have survived," says Sango Dara, one of the leading Osogbo artists. "There is a passage in our Ife scripture about an outsider who points out the error of our ways. We needed her."

Does it not sadden Wenger that it took a European to preserve the Yoruba culture?

"Yes but you have to accept it," she says. "Something that looks bad can also be good." She blames Christianity and Islam for nearly destroying the local culture.

"The threat to traditionalism is not the motor cars, it is the education. They created the wrong kind of schools here. The missionaries were ignorant of the local culture and treated it stupidly."

Her work has brought international recognition and a British archaeologist is trying to include the Osun grove in a proposed world heritage site in Nigeria, but John Adeleke believes that unless Nigerians make an effort her movement will not survive. He plans to set up a Susanne Wenger Foundation to help preserve the grove and her house and to encourage research into the *orisa* culture.

"The truth is that without Susanne there would be no Osun grove today," says Adeleke. "There would be a narrow stretch of river bank where the Osun maidens could go once a year during the festival, surrounded by houses and flats. Osogbo would be like all the other old Yoruba towns where there once were groves for the sacred shrines which no longer exist."

The 'perfect defensive soldiers' who refuse to stop killing

Landmines blight every country that has recently had a civil war, reports Ted Bardacke from Cambodia

Tic Chi Sok lies face down in the mud trying to prevent the fear from coming back. The last time a member of her family was in a minefield, an explosion widowed her, at the age of 28, with two small children.

Prodding gently at the ground with a small trowel she digs up a piece of shrapnel. False alarm.

Her companion, 28-year-old Man Rin Na, dressed in fatigues and combat boots and armed with a high-powered metal detector, returns to the area. Man Rin Na's husband also died when he stepped on a landmine, leaving her with three children and no means of support. Now, methodically probing for fragments of metal as small as the tip of a ballpoint pen, she searches for one of the 5m mines buried around abandoned temples.

Without new restrictions, the world's landmine problem will get worse. In 1994, 100,000 landmines were cleared at a cost of between \$300 (2195) and \$1,000 each. At the same time between 2m and 5m new mines were laid, according to the UN, at a cost of about \$3 each.

Every country that has recently had a civil war - Afghanistan and Angola, Nicaragua and Somalia - is suffering. Landmines will go on killing civilians in former Yugoslavia long after the shooting ends. Cambodia gives an idea of the problems likely to face the Balkans.

Nearly 400,000 Cambodian refugees living along the Thai border were enticed back home in 1992 by promises of grants of enough land to feed their families. The UN based this offer on aerial surveys of uninhabited and uncultivated land in Cambodia.

But much of the promised land turned out to be worthless, riddled with landmines, and that promise has been kept for only 8 per cent of the returning refugees. Instead, the returnees were given a small cash handout and enough rice for a year. Many became refugees in their own country.

In some villages minefields begin just 15 metres from houses. Plans to build new clinics and schools had to be abandoned or postponed when it was discovered that the land to be used was a minefield.

Mines can shift after heavy rains

deliberations with no conclusion in October after three weeks of meetings.

The conference, aimed at banning landmines - as called for by the UN secretary general and the International Committee of the Red Cross - but realistically at tightening control over their use, will reconvene this month in Geneva. No breakthroughs are expected.

"This is very dangerous work but I need the job. I'm the only one left to support my family," says Tic Chi Sok, knowing that a wrong move could cause a mine to blow up in her face. "I left my children with

and floods, so farmers often risk losing a limb or worse at harvest time after having planted in an apparently safe area.

Plans to develop some remote areas as destinations for eco-tourism have been hampered by fears of undiscovered minefields

around abandoned temples.

"I do not want to go outside and play until I can come back and clear the mines near our house."

Tic Chi Sok's problem seems far removed from the discussions in Vienna, where participants say the military utility of landmines took centre stage.

India also spoke against "an unnecessary intrusive verification or monitoring system".

China, which supported the marking of minefields but declared that such markings "should not undermine the self-defence capabilities", argued against adding a technical provision that would require mines to be detectable. It wanted to protect its supply of plastic mines, which are impossible to clear. How and where China intends to use such mines was a question that went unanswered.

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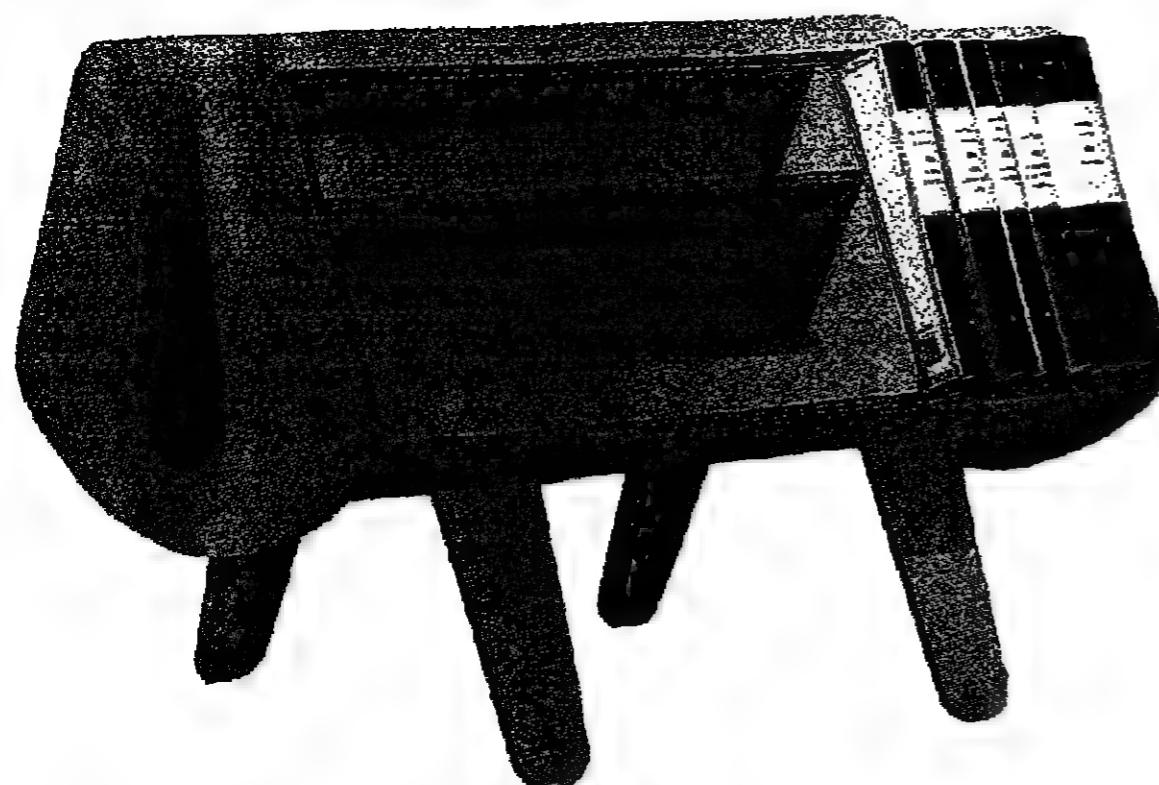
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HOW TO SPEND IT



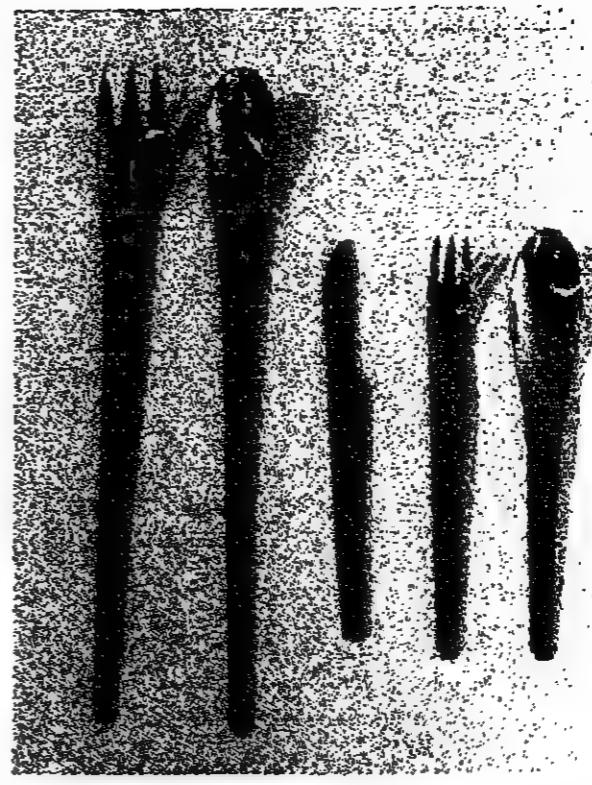
The Donkey

These days, talented British designers tend to work for non-British companies. Isokon, a London furniture company, achieved the opposite in the 1930s by hiring the émigré modernists who had fled from the Nazis to pre-war Britain.

Jack Pritchard, its owner, was a modernist and a close friend of Walter Gropius, founder of the Bauhaus. He commissioned plywood pieces from Marcel Breuer, one of the Bauhaus teachers, and smaller objects from the Austrian designer, Egon Riss.

One of Isokon's most appealing products is the Penguin Donkey, designed in 1939. It is a literary pleasure pod that can be used to stash away magazines, books, techno toys and whatever food or drink you choose to go with them.

■ Available in birchwood for £276 from Windmill Furniture, Turnham Green Terrace, Mews, London W4 1QU. Tel: 0181-994 7032.



Eating irons

When Stanley Kubrick filmed his futuristic fantasy, *2001: A Space Odyssey*, in 1968 he commissioned all the props from designers. They were told to create objects that looked as though they belonged to the future, such as the chairs dreamt up by Olivier Mingu, the French furniture maker.

But when it came to choosing cutlery, Kubrick decided on these abstract slivers of stainless steel which were designed 11 years before by Arne Jacobsen, the Danish modernist. The cutlery, like almost all Jacobsen's designs is contemporary yet effortlessly elegant.

It looked enticingly futuristic in Stanley Kubrick's 1960s spaceship and, nearly 30 years later, it still seems fresh and exciting.

■ A place setting costs £60 from Georg Jensen, 15 New Bond Street, London W1X 3DB. 0171-499 6541.

What I bought on a £27,000 spending spree

Alice Rawsthorn was given the opportunity to spend someone else's money on objects that she would like to live with. This is what she did...

I cannot pretend that I hesitated to say "yes" when I was asked to spend £27,000 of someone else's money on anything - or almost anything - I liked.

My spending spree started when Sir Terence Conran invited me to be the curator of this year's Conran Foundation Collection. Each year the foundation, a charity founded by Sir Terence to raise awareness of design, invites someone to spend a fixed sum on a collection of objects to be exhibited at the Design Museum in London before being sealed in the Conran archives.

The only criterion was that everything I chose had to be "things I would like to live with" which were "in current production". This ruled out blowing the budget on a bespoke John Galliano ballgown, or bidding for one of Joe Colombo's funky 1960s living systems at a 20th century furniture sale.

My choice was complicated by the fact that each object would go on public display.

This meant that it would have been pointless to treat myself (or the Conran Foundation) to the most chic clothes of the season, or a series of charmingly idiosyncratic chairs.

Instead, I decided that everything I chose must conform to the classic design criteria of looking beautiful and fulfilling its function, but should also show that lateral thinking had been applied to its design either in terms of the concept, the production process, or the way the product responded to changes in the way we live.

I also made things easier for myself by asking Marc Newson, the Australian designer behind Coast, the restaurant on London's Albemarle Street, to design the exhibition. If nothing else, at least I knew it would look wonderful.

Some objects were easy to choose. The collection offered an opportunity to splash out on contemporary design. The work of Jasper Morrison, who was curator of last year's Conran Foundation Collection, has always appealed to me as the epitome of modern elegance. I snapped up one of his opulent *chaises longues* and a deceptively simple ply chair.

I also chose one of the futuristic plastic Gello tables designed by Marc Newson for 3 Suisses, the French mail order catalogue, and a miroir menhir, or "wing mirror", a perfectly plain square of hand-beaten glass designed by Catherine Levy and Sigolène Prébois, who work together as Tee & Tee in Paris.

The collection was a chance to acquire some of my favourite design classics: one of Marcel Breuer's 1936 plywood nesting tables and the abstract fibreglass chaise that Charles

and Ray Eames designed in 1946 for a competition at the Museum of Modern Art in New York. I also treated myself to Arne Jacobsen's ascetically elegant 1960s stainless steel cocktail kit and to his 1957 cutlery which the film director, Stanley Kubrick, later used as props in *2001: A Space Odyssey*.

The best examples of design lateral thinking were in the computing field. The Clipper CS-1, a mobile computer workstation that I spotted in *Wired* magazine, is an imaginative way of enabling people to work in privacy in open-plan spaces. Microsoft's wavy Natural Keyboard is the product of three years research to find the best lay-out of computer keys.

My most extravagant purchase was the Gyo-an, one of a series of three collapsible tea houses designed by Shigeru Uchida, a Tokyo architect, for an exhibition in Milan last spring. The Gyo-an, an elaborate structure of latticed bamboo modelled on a traditional Zen tea house, is an exquisite object but costs £12,000.

T o a stone for that, I added some cheap items: a £1.95 pack of polypolypropylene clothes pegs from Muji in Tokyo, the 60p edition of Sigmund Freud's lectures in Penguin's 60s Series and the crushable Evian water bottles which take up a quarter of the space of conventional bottles in landfills.

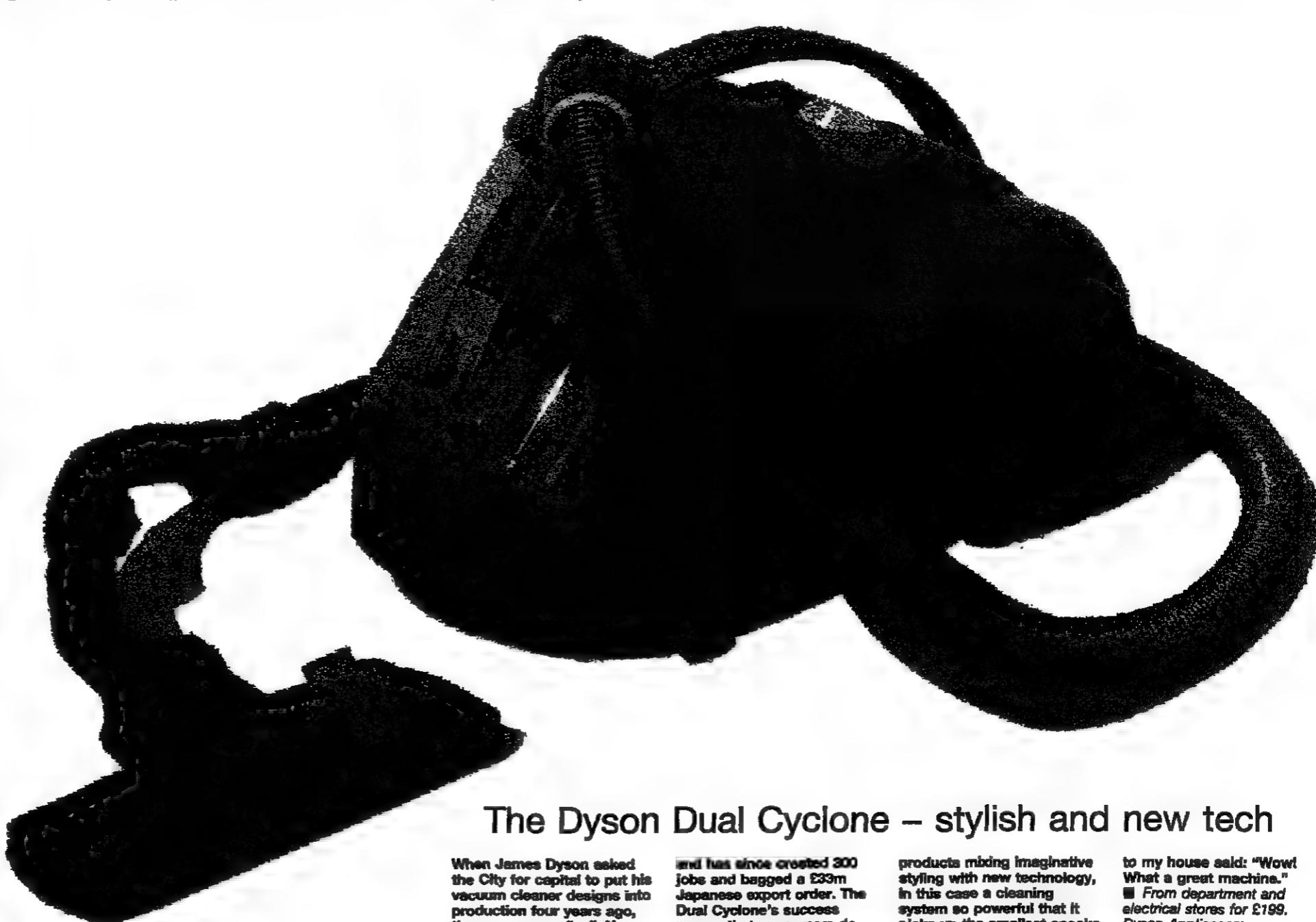
Then there were clothes. I plumped for one of Tom Ford's chain belts for Gucci, a blend of easy American elegance and Italian craftsmanship, and for Helmut Lang's uncompromisingly modern satinised shift dress and metallic tank-top. There were also a couple of examples of advances in textile technology: Rei Kawakubo's chemical nylon tulle lace slip for Comme des Garçons and a 1960s-style Prada jacket made from a crushproof mix of nylon, polyester and spandex.

There were some constraints on my spending. Some of my favourite classic designs by Joe Colombo and Carlo Mollino are out of production and, even with £27,000, some things were just too expensive.

I had planned to treat myself to some of the exquisite, but incredibly expensive glassware that Carlo Scarpa designed for Venini in the 1940s and 1950s. And after a quick flick through the Venini catalogue, I fell helplessly in love with a Scarpa dish, *Il Serpente*.

It was gorgeous but the price of £4,300 seemed high even to a woman who had just spent £12,000 on a collapsible tea house. And, after *Il Serpente*, none of the other Venini pieces seemed as covetable.

■ The Conran Foundation Collection exhibition is at the Design Museum, Shad Thames, London SE1 2YD until April 26.



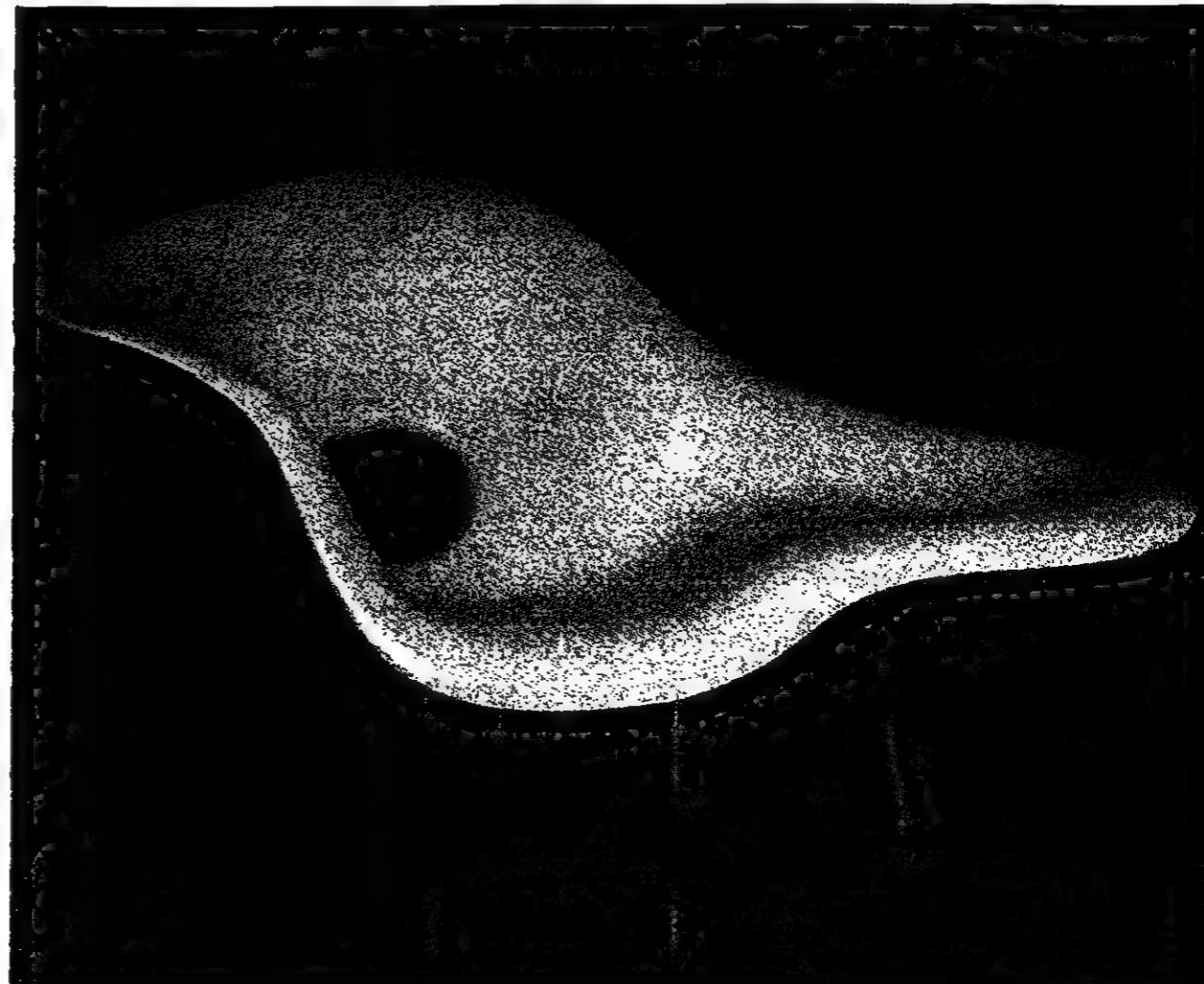
The Dyson Dual Cyclone - stylish and new tech

When James Dyson asked the City for capital to put his vacuum cleaner designs into production four years ago, the answer was "no". He funded the project himself

and has since created 300 jobs and bagged a £35m Japanese export order. The Dual Cyclone's success proves that consumers do respond to innovative

products mixing imaginative styling with new technology. In this case a cleaning system so powerful that it picks up the smallest specks of dust and grit. One visitor

to my house said: "Wow! What a great machine." ■ From department and electrical stores for £199. Dyson Appliances: 01666-027200



Glorious piece of period design from Eames

The Eames Chaise is a glorious piece of period design. Its abstract form could only come from the late 1940s, but is so perfectly

proportioned that it looks exquisite in any era. The only hitch is the price. Charles and Ray Eames designed it in 1948 as their entry for the Low Cost Furniture

Competition at the Museum of Modern Art in New York. They hoped to sell it for \$50, but the chaise never went into mass production. It is now made at Vitra's state-of-the-art furniture factory in Germany and costs £2,393. ■ From Vitra, 13 Grosvenor Street, London W1X 9FB. 0171-408 1122.

HERMÈS PARIS

SALE

from Saturday 6th January to Saturday 13th January

at

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Opening hours

Monday to Saturday 10am to 6pm



Prada's pantsuit

One of the best things about Miuccia Prada's fashion is her knack of repackageing the past in a completely contemporary way. This pants suit looks like one that an icy hip Julie

Christie might have worn in *Darling*, but it is made from a combination of materials. ■ Price £500 from Prada, 44-45 Sloane Street, London SW1X 9LU. 0171-235 0008.

FASHION

The year the anorak came in from the cold

Skiwear is the fashion 'must' of the moment, whether you are holidaying in Gstaad or shopping in the local high street, says Karen Wheeler

If it looks good on the ski slopes, the chances are that this winter it will look even better on the city streets. Designers have taken skiwear as their latest inspiration and the result is sporty, modern clothing that is both practical and a joy to wear – even by those who cannot tell a snow-plough from a tractor.

Many of the styles, such as Donna Karan's high-tech, metallic parkas, could easily withstand the rigours of Aspen, Verbier or Gstaad but would also look dashing and up-to-the-minute on the high street.

Others simply draw on the best elements of skiwear – the sleek minimalism, futuristic fabrics, zipper fastenings, curvy jackets and stretch pants – and place them in the setting of a metropolis rather than a mountain resort.

These are the sort of outdoor clothes that will brighten even the gloomiest, coldest January. Ideal for chic weekend dressing, warm quilted anoraks, futuristic parkas and Puffa-style jackets in neon bright colours can be thrown over everything from leggings to a shift dress.

"I love the fact that these clothes are warm and user-friendly and will work in so many diverse ways," says Donna Karan.

"I wear ski jackets thrown over cashmere dresses for the office, with leggings or ski pants for the weekend and I've even worn a ski parka with a fake fur collar to a black-tie dinner."

It is a sentiment echoed by Ralph Lauren, whose advertising campaign for Polo Sport features a man dressed in formal black tie with a silver ski

PhotographerGlen Bump represented by Sarah Dau, with thanks to Direct Lighting.

Make-upDaniel Sandler at Michael John Management using Clinique

HairHarry King at Michael John Management.

parka over the top.

Fellow American Michael Kors admitted to designing much of his collection around the image of Audrey Hepburn on the ski slopes at the start of the film *Charade*.

Perhaps it is not surprising that American designers are captivated by the ski-look. After all, they are renowned for their practical approach to fashion and they love clothes that suggest dynamism. Even if you are just in the park with the children or dashing to the shops, a ski anorak suggests a certain athleticism.

Being fit is akin to being fashionable. The emphasis on skiwear reflects the impact of sport generally, says designer Sam de Teran. "Fashion has been influenced by riding and tennis clothing in recent seasons – now it's the turn of skiing."

Teran makes real skiwear but roughly half the customers at her shop in Fulham, south west London, are buying her spare, zip-up jackets in futuristic white or ice blue to wear as fashion items.

"They wear them in the same way as they would a leather jacket – with jeans or leggings. And because I use high-tech fabrics they have the advantages that they are warm, windproof and water resistant," she says. The trend for synthetic fabrics, particularly nylon, has helped make the ski-inspired look chic. Designers are increasingly fascinated by high performance fabrics.

Miuccia Prada, who led fashion's high-tech revolution over a year ago, and whose curvy, white quilted jacket became a seminal piece this season, is credited with influencing the avalanche of ski-inspired styles

available on the high street. White quilted tunic dresses with zippers, quilted A-line skirts and matching jackets in silver or turquoise at Karen Millen for example, prove that the ski look lends itself to more than the energetic outcome.

But it is for cold-weather dressing that the ski-look is most suited. And it is amusing to note that many ski-related items previously considered staid are now considered cutting-edge style.

The humble anorak has cast aside its train-spotter image and leapt to the forefront of fashion. And it is not alone.

The sleeveless, padded jacket, has also been reinvented as a hot fashion item.

A colour palette of neon orange, yellow or blue or futuristic silver and white is the only thing which stands between it and its less hip past.

Colour is a crucial component of the ski-look – and the brighter the better. Hard though it may be to believe, the best selling shade at Esprit's store in London's Sloane Street is orange, closely followed by black.

Cropped Puffa-style jackets and sleeveless padded styles in vivid colours are very popular, says Susie Reece Jones, Esprit's marketing director.

"People of all ages are buying and they are wearing the garments in unusual ways. I've seen our sleeveless orange jacket worn with a long black dress and it looked terrific."

According to Donna Karan, bright colours are a way of asserting your individuality. "Brightly coloured ski jackets are really fun if you wear a lot of black – which most New Yorkers do."

Alternatively she suggests that "silvers and whites look very clean and modern". The DKNY shop in Bond Street, London, is a veritable winter wonderland of colourful ski-inspired clothing. Even if strict tailoring and fashion-pack-black is your thing, there you can find yourself hankering over cobalt blue metallic ski parkas, padded jackets in taxi cab yellow and down-filled jackets in neon orange.

It was Klaus Obermeyer, a Bavarian, who invented the first quilted ski parka in 1960. Forty-five years later, it features in every designer collection from Giorgio Armani to Georges Rech. The irony, of course, is that the ski-look started as a streetwise look with hip youngsters and rap musicians adopting the padded jacket long before Prada et al gave it designer cachet and mainstream appeal.

Fittingly, some of the best versions are available at high street stores. Benetton has chic nylon anoraks and cropped Puffa-style jackets in silver or orange, Marks and Spencer has a classic padded jacket in black; while Warehouse has ski-inspired anoraks in silver and Joseph stocks a sporty, quilted jacket in lipstick red.

For my money however, the best high street buy is French Connection's padded duck-down jacket, at £299, in pale cream, citrus, lavender and black.

To comply with the demands of minimalism, a drawstring is cleverly concealed on the inside so that it can be cinched in at the waist for a leaner, body-conscious effect. A high collar and hidden zip add to the feeling of modernity.

Even bag designer Bill Amberg has paid homage to the ski slopes with a Puffa-style rucksack or shopper bag in orange or white leather. Provided that go-faster stripes, patterns and embellishments are avoided, this is one trend which looks good on just about everyone.

Sleek, modern and the ultimate in feel-good clothing, this season skiwear is as much at home in a chic urban bar as it is schussing down the slopes of St Moritz.



■ Above: orange nylon quilted jacket, £295, from Benetton (stockist inquiries: 0171-731 4304). Orange boucle top, £275, by Mazzara, 32 Sloane Street, London SW1 (0171-235 7041). White ski leggings, £105, by DKNY, 27 Old Bond Street, London W1. Ankle boots, £125, from selected branches of Russell and Bromley (0171-629 6003).

■ Left: white zip-up jacket, £270, by Sam de Teran, 181 Fulham Road (0171-684 0902). Orange ski pants, £145, by Mazzara.

■ Right: silver quilted jacket, £160, by Karen Millen, 355 Kings Road, London SW3 (stockist inquiries: 01622-664032). White fleece top, £185, and white ski pants, £205, by DKNY. Silver boots, £295, from Hobbs. Sunglasses, £75, by Cutler and Gross, 16 Knightsbridge Green, SW1 (0171-581 2250).

■ Far right: yellow quilted coat, £265, top £275, ski pants, £245 and hat all by Michael Kors.



Cobalt blue metallic ski jacket, £275, and white fleece zip-up top, £185, by DKNY, 27 Old Bond Street, London W1. (0171-469 6069). White leggings with satin stripes £265 by Red or Dead (0171-637 5157). White patent boots £295.99 to order from Hobbs (0171-629 6003).

SALE

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OUTDOORS

Property

Paris is still a city with style

Gerald Cadogan looks at top-class homes in the French capital

In the 7th arrondissement of Paris is a house of style and space. The Hôtel Lorillon, at 38 rue Barbet de Jouy, is a mid-19th century house built in a pure 18th century style in dressed ashlar masonry.

The main facade is flanked by two pavilions, one now a garage and the other the concierge's quarters. At the back is a garden, with a stone basin and fountain that La Notre could have designed, and views towards the gilt dome of Les Invalides.

It has marble fireplaces and Verrières parquet, but also 17th and 18th century paneling removed from other houses of quality, such as the Hôtel de Broglie.

The cost of all this magnificence is FFr60m (£7.6m). The house has about 900 sq m of space on four floors, with 10 bedrooms and a grand reception room on the first floor.

Part of the home's attraction is that it is a whole house and garden in a city of flats.

So who will buy this desirable Paris residence? Agent Philip Hawkes (tel: Paris 0033-1-42 88 11 11) thinks it will probably go to a Frenchman. If it is a foreigner it is likely to be someone imbued with – and a connoisseur of – traditional French culture.

Hawkes is an Englishman who has been working in Paris since 1976 and since 1988 has run his own company. Most of his clients are French and he has made his reputation by selling top-notch properties in Paris and the country.

The past year has been a slow one for the Paris property market. "A year of wait and see," says Richard Crosthwaite, of Knight Frank, another English agent which has an office in Paris.

The strong franc was one culprit – devaluation would do wonders for

the market. As British holidaymakers know, it stood all year between FF7 and FF8 to the pound, a painful drop from the familiar FF10 of a few years ago.

The threat of Algerian extremism has not helped to win overseas buyers either, however phlegmatic the Parisians have been in the face of these IRA-style perils in the capital.

Last month's public transport strikes probably did not help either,

although it is hard to tell what the long-term effect will be. They were certainly a temporary disincentive.

Perhaps it is no coincidence that "there has been quite a flurry of people interested in manoirs and châteaux" in the country, as the Philip Hawkes agency says.

estate agents are longing for a shock stimulation on the banks of the Seine like the September 1992 devaluation of the pound which perked up the prime London market. Crosthwaite believes there is plenty of foreign demand waiting in the wings. For Middle Easterners, Paris remains "a traditional home from home". The new element is east Asia where, on a recent road show, he sold plenty of flats in the Plaza development (Paris 16th).

A very small number of properties at the top end of the market were sold in 1992. At best, the market has been on hold, says Crosthwaite, "like London just over three years ago". Many prices have come down, making buying and selling slow and difficult. "It is hard to induce people to buy when prices may well carry on falling," adds Philip Hawkes, who sees yet another disincentive in stamp duty and notary's fees adding about 7 per cent to the price.

"The things that are really cheap in Paris are not necessarily what you want to buy", he says, pointing to properties in the suburbs that



The Hôtel Lorillon (38 rue Barbet de Jouy) is a mid-19th century Paris house built in a pure 18th century style

the banks have called in.

In central Paris, which is a small area, repossessions have been relatively few. "If you have the time, you may well find a bargain there." But the Paris market is always so confident that it is hard to know what may be for sale. Often, it depends on the agreement of all the members of a family.

Flats are the mainstay of Paris housing, and have a built-in grandeur and style (since they were designed as apartment houses around a wide central staircase).

Crosthwaite expects more modern schemes to appear in Paris, to judge from the interest from British, German and US developers. These new blocks will have one big difference

from the old apartment houses. They will offer Manhattan-style porters behind a desk in the entrance hall – a far cry from "the concierge in a cubby-hole at the foot of the stairs", says Crosthwaite.

Rents, as well as capital values in Paris, have come down. A prime three-bedroom flat in the 6th, 7th, 8th and 9th arrondissements which

would have cost FF12,500 a month in October 1992, was FF11,500 two years later, Knight Frank estimates. Likewise, Rowan Corporate Relocation quotes current rents of FF7,500 to FF9,000 for a two-bedroom flat – and FF11,000 to FF12,500 for a three-bedroom house in good residential areas.

Hawkes and Crosthwaite are

milky hopeful for 1996. If the franc were to devalue, it would be a different market overnight. Central Paris prices would probably rise smartly, as they did in London after September 1992. Even pounds would go further.

In the Place des États-Unis in the 16th, Hawkes is offering a sumptuous first-floor flat of about 220 sq m facing south-east on to the square and looking down to the Avenue d'Iena. The cost is FF1m.

This looks a lot but the grand

salon of 68 sq m (a third of the floor space) makes it less surprising.

With a high ceiling, red marble fireplace, damask walls and a parquet de Versailles floor, it is ideal for entertaining in belle époque style.

Cadogan's Place / Gerald Cadogan

A firm by any other name

Farewell Rutley. After 100 years on the masthead of the UK's leading estate agents, Knight Frank & Rutley, the firm has opened its centenary year by dropping him. KFR has become Knight Frank.

Little is known about William Rutley, one of three founding partners in 1896, except that he was a valuer for paintings and antiques. The other partners were John Knight, an auctioneer, and Howard Frank, an estate agent and the first senior partner.

Auctioning chattels formed the bulk of the new firm's business but in 1897, when Edward Hudson started Country Life, the country house market took a new turn and Frank leapt in.

KFR's first full-page

advertisement in August 1898 gives the flavour of his selling line. "Overlooking the Wye Elizabethan mansion, grounds of inexpressible beauty" was one property. Another was just the thing for robber barons: "To wealthy South Africans and City men – north of London – to be sold, a freehold residential estate suitable for those desirous of entertaining largely".

By 1902 the property side had overtaken auctions. In 1910 KFR moved to 20 Hanover Square, London W1, a handsome Georgian town house.

In the same year KFR offered the Chequers estate for sale,

although not the house which was to become the prime minister's country seat. KFR's involvement in other important properties included Stonehenge (1918), the Royal Naval College at Greenwich (1935), and many Scottish estates, such as Dunbeath, which it sold in 1936 for £20,000 and is now offering for £50,000.

KFR also valued Sandringham (at £200,000) for the Duke of Windsor in the financial settlement on his abdication. Amassed buildings in Grosvenor Square after the war for the site for the new US Embassy and sold Churchill's twin houses (27 and 28 Hyde Park Gate) by auction after his death – for £102,500.

Knight Frank's headquarters are still in Hanover Square, and the firm will stay a partnership, says senior partner Bill Yates. There is no intention of becoming a quoted public limited company, as some of its rivals have done – with sometimes unhappy results for the shareholders.

■ Several houses by known

architects are for sale.

□ 2 Thurloe Street, London SW7,

is a classic stuccoed house with

portico by George Basevi (1845).

It has been in the same ownership

since 1947, and still has an

outside lavatory for the gardener.

W.A. Ellis (0171-581 7654), £585,000.

□ The Vineyard near Saffron Walden in Essex is a striking brick and stone Victorian Gothic villa by William Beck. It is

strikingly similar to many

buildings at Harrow School,

which are also uncompromisingly

avant-garde for the time. Bidwells (01223-841842), £700,000 (with 20 acres).

□ Dalnyved at Barley in north

Hertfordshire was built by Edgar

Wood and Henry Sellers (1897)

of Manchester, leaders in the Arts

and Crafts movement, for a mill

owner who escaped the Russian

revolution. Now listed grade II*,

it is a brick house which

anticipates modernism in Britain

by many years. An intriguing

property. Jackson-Stops (0171-589

4836), £475,000.

□ Also grade II* is an Anglican

chapel and crypt, once part of St

Peter's convent in Woking in

Surrey, by J.L. Pearson (1900).

The chapel still has a working

organ (from 1804) and lavish

stained glass and marble. Its

design reflects Pearson's visit to

Italy in 1878; the crypt is

Byzantine in style. Curchods

(01432-778644), offers over

£250,000 from parties who intend

to continue to use it for divine

worship.

■ In my article on forestry

(Weekend FT, December 9/10), the

telephone number of Tilhill

Economic Forestry should have

been 01763-811721.

Gardening / Robin Lane Fox

Old resolutions for a brighter new year

The frost over Christmas has sharpened all our new year resolutions in England. Curiously, it seems to have done little damage, although I had had to look back to 1947 for evidence of the iced rain which sat on evergreens and hedges last Saturday.

Hoping that we have seen the end of it, I would like to encourage those who have new plans, new gardens or old traumas in 1996.

I cannot agree with the new year encouragement of the advisers on *Gardeners' Question Time*. They seem to think that considered taste and artistry are snobbish and continue to tell listeners to go out and put whatever plants they want into one riotous combination. Anything seems to go, in these panelists' minds.

I wonder if they take a similar view of cooking? Anyone who walks into the kitchen and throws together the first ingredients which come to mind will end up with indigestion or worse.

Recipe books are not called elist, but as soon as anyone suggests that carnine petunias and ill-considered French marigolds are look beasts together, they are accused of being snobbish, dismissive and socially incorrect.

My new year encouragement is quite different. Anyone who likes gardening and minds about it, is concerned to place, please and present plants as appealing as possible.

This presentation involves the eye of an artist for colour and shape, the knowledge of a cultivator for soil, aspect and variety, and the sixth sense of a landscaper for the rare ability to match a style and design to its surroundings.

Good professional designers may perhaps combine all three arts, but they confront me just as often in the gardens of people from every walk of life and social position. Together, they would make a very odd elite, but after years of talking to them and learning from them, I think we agree on one reassuring principle.

Making a garden is a process, not a blueprint. I cannot encourage you enough if you find that you are progressing gradually, changing your mind or seeing a new opportunity

after several years on the same site.

The whole pursuit is a process, in which one idea suggests another. I have battered away at the same miserable site for six years now, and sometimes I wonder how I can have been so blind to the need for moves which I have only just made.

Surely it was obvious that the left-hand side of the garden needed height and the right-hand side needed some emphasis in beds in the shade of a belt of trees?

Surely I ought to have realised that the lower third of the site needed jazzing up with

imaginative touches, apart from my initial lines of clipped trees?

I see all these necessities now, and others which I had been too young to see.

I also know that I could not have seen them, even in my hardened mind's eye, until the more urgent, basic planting was developing. Its shape and shadows suggest the next move. Perhaps you want a designer to lay out your garden, but there has never been a good garden which can be laid out off the drawing board and left to mature.

That approach limits you to clipped greenery and a few formal trees. It denies you the charms of a personal landscape which is shifting and changing every year, like life itself.

You may be wondering if I think these thoughts because I am not much good at blue-printing myself. The answer is that all the best-known planters and designers admit to similar progress.

It was extremely pleasant to find that Rosemary Verey had been honoured with an OBE

last week, and I take particular comfort from her own descriptions of her progress to this medal-winning status.

In her recent book, *The Making of a Garden*, she is explicit about the many changes, retreats and alterations which have been forced on her plans at home since the late 1960s.

As well as the mistakes, there were the disappointments... Quite soon, I abandoned the ambition for my red border." The secret of the greatest of all gardens, at Sissinghurst, is no different. The owners were always changing their mind and much of the planting has continued to

evolve since their death.

The famous red and yellow Cottage Garden began with bushes of the rather awful Rose Betty Uprichard, as I remember discovering from their planter's own notebooks.

The interesting book by Tony Lord, *Gardening at Sissinghurst*, is continuous proof that gardening is a process, as he lists the many changes, zig-zags and innovations in the garden's basic plan.

Even the plan did not emerge fully-fledged from its author's mind; if someone had told them to freeze their first thoughts because they were the blueprint and nothing more would follow, except the bill, the place would look most peculiar.

Whether you are starting, continuing or feeling arthritic, my message for 1996 is to keep steadily on.

Many, including myself, have emphasised the importance of rooting out plants which do not look right or are second rate. Indeed, eliminating

is part of the process, but I must also add for beginners and middle-aged persons in a hurry that patience has its role to play.

Not enough is said about the importance of not judging a tree or a shrub too soon. I think it is my own worst crime. Newly planted trees give you no clear idea of their potential charm until several years have passed.

The recent dry summers have caused them to put out small, distressed leaves and flowers or fruits in reduced and unseasonal quantity. You would never have persisted with my varieties of ornamental Malus or my flowering Pieris if you had seen them in their third or fourth year.</

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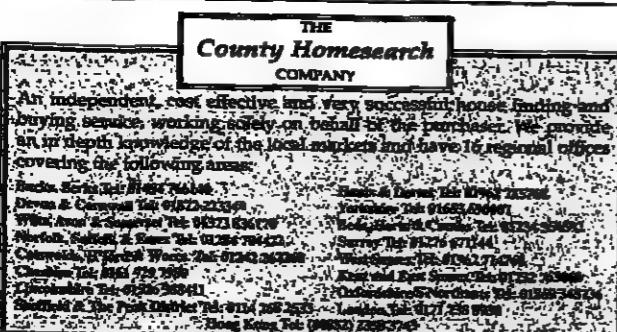
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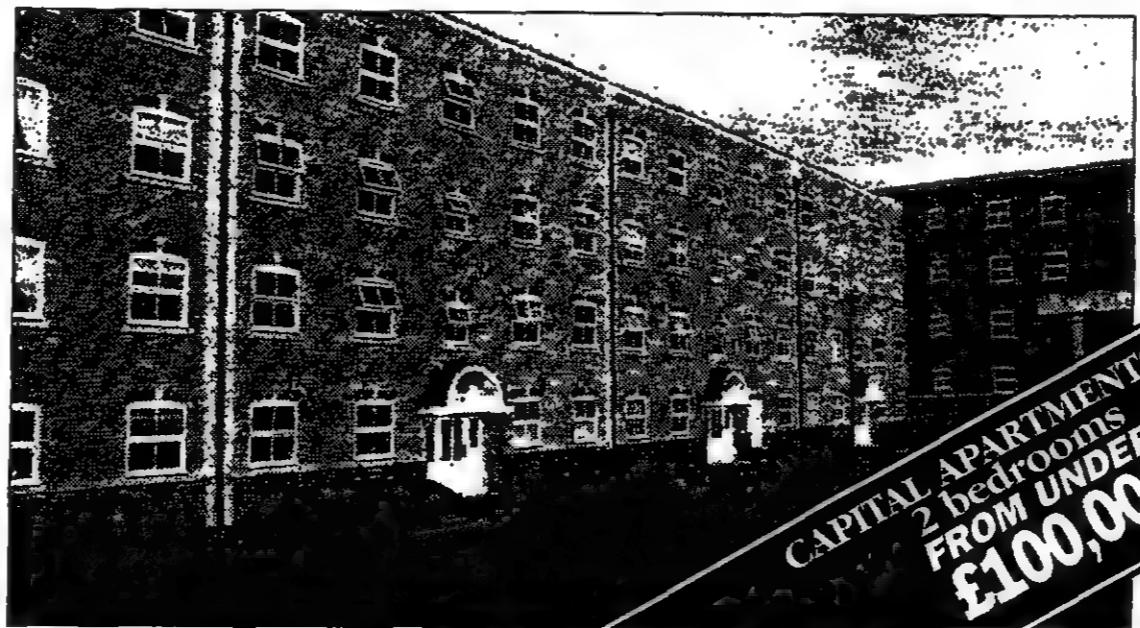
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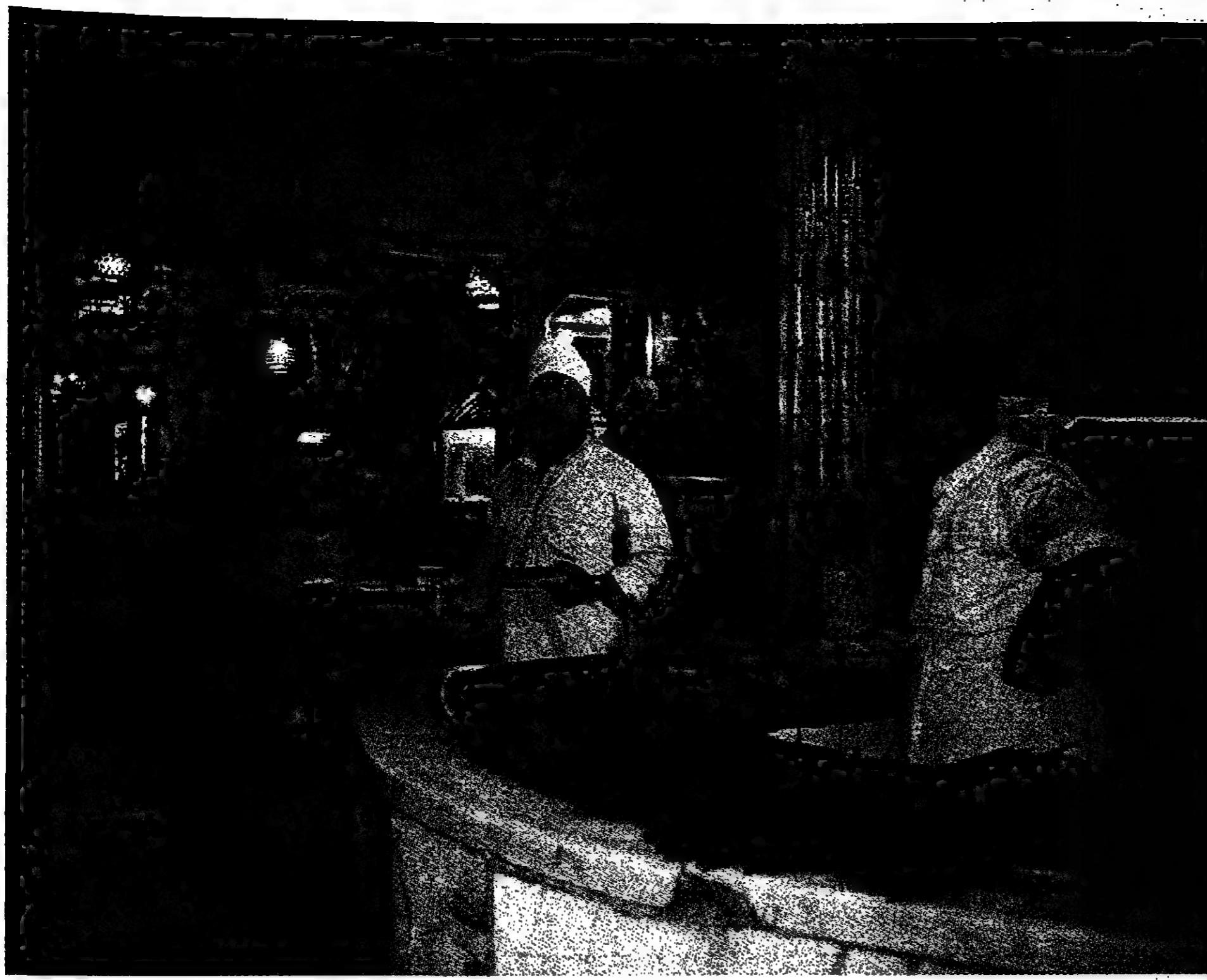
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LONDON RENTALS



FOOD AND DRINK



A falafel restaurant in Cairo: a popular food throughout the Middle East

Cookery / Philippa Davenport

A time for thoughts to turn to jelly

The feasts of Christmas and the new year should leave us feeling joyously fed. In practice many people feel sated, as stufed as the turkey.

Twelfth Night must be celebrated as the special occasion it is, of course, but after the 11-day marathon most cooks and those gathered round their tables may be hoping and praying for lightness of touch in the kitchen department. Nothing too rich or elaborate. No heavyweight dishes that might be reprehensible on the stomach.

The menu I have in mind is slightly unconventional in its format. It will begin with oysters, simply served with wedges of lemon and brown bread and butter.

To follow there will be towering, creamy, classic cheese soufflés, partnered perhaps by the agreeable bitterness of lightly fried or pan-braised Belgian chicory, or steamed spinach, or plenty of salads.

To finish with a sparkle, there will be shimmering home-made jellies.

I like to make and serve jellies in cocktail glasses. This shows off vibrant colours to best advantage and means that little gelatine is needed, so the tastes of the ingredients shine through to the full. It also spares the cook the daunting prospect of unmoulding jelly for serving - and any possibility of ignominious collapse.

CRANBERRY AND POMEGRANATE JELLY (serves 6)

I wanted to make a shocking pink jelly with early forced rhubarb spiked with orange zest and maybe a splash of curacao, ginger wine or white rum, but that will have to wait. My plans were thwarted by the modern shopkeepers' policy of sweeping away "ordinary lines" such as rhubarb" for the festive season to make way for more of "the exotic imports everybody wants".

Everyone I am alone in refusing to buy strawberries, raspberries, etc at this time of year. Cranberry and pomegranate seem more seasonally acceptable and they make a sharply fruity jelly as scarlet as Father Christmas's cloak.

400g fresh cranberries; 3 pomegranates (or 3 table spoons grenadine syrup diluted in 9 tablespoons water); 100g or more castor sugar; kirsch to taste (or a soupon of triple distilled rosewater for a tea-total jelly); 1 sachet or 1 tablespoon gelatine powder.

Der in 3-4 tablespoons cold water and warm over gentle heat until the gelatine has melted and the liquid is clear. Blend in a little of the tepid coffee, then stir in the rest. Pour into individual glasses, cover and chill until softly set.

Just before serving finish the jellies by floating a little pouring cream over the surface of each. Use cream pure and simple just as it is, or enliven it with a drop or two of alcohol perhaps. Garnish or not as you wish with rolled shavings of best bitter chocolate, and serve with crisp little biscuits.



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VICTORIAN PORT WINE JELLY (serves 6-8)

As dark, handsome and sweet as the devil is supposed to be, this is a decidedly grown-up jelly with a distinct kick to it - small wonder when you realise that very little of the port's heat is driven off its alcohol content.

550ml port - say 10-year-old tawny; 200ml Darjeeling or Ceylon tea; 150g granulated sugar; 1 cinnamon stick, bruised; the finely grated zest of a large orange; 1 sachet or 1 tablespoon gelatine powder; 3-4 plump juicy prunes; 2-3 marrows glaces to decorate.

Bring very slowly to simmering point 200ml port, the tea, sugar, cinnamon and orange zest. Add the prunes, if using them. Cover and set aside for half an hour, then strain off and discard the cinnamon and orange. Halve and stone the prunes and reserve separately.

Simmer the cranberries gently with 400ml water in a covered pan. Crush lightly when tender then tip the contents of the pan into a sieve suspended over a bowl containing 100g castor sugar (or more for a sweetish jelly) and leave to drip for half an hour.

Warm the pomegranate juice gently until the gelatine powder has dissolved and the liquid is clear. Stir it into the cranberry juice and measure up with a splash of kirsch (or a few drops of rose water) and cold water as necessary to make 700-750ml in total. Pour into individual small glasses, cover and chill until set to a soft tremulous jelly.

Serve scattered with the

Finally, there is a delicious Springbank "Hundred Proof", a 12-year-old whisky with lots of complexity and a nice orange like aroma (22.75). Here is a malt which was clearly at home with its cask.

Giles MacDonogh

The third St Moritz festival takes place next month from February 2-10. Chefs from Asia, Europe and Africa will be cooking at eight participating restaurants in the Swiss resort.

The Suvretta House Hotel is hosting chefs from the Raffles in Singapore for the duration of this gourmet week. A variety of gourmet packages, including a "safari" when guests can enjoy one course at each of the participating hotels, with transfers between each are on offer. For reservations tel: 00 41 82 211 21.

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Appetisers

Coming soon: Lunch for a Fiver

Lunch for a Fiver starts next Saturday, January 13, when UK readers of Weekend FT will be given details of participating restaurants.

This year there are a record number taking part over a wider area of England, Scotland and Wales. It is hoped it will add value and enliven what might otherwise be a dull January fortnight.

There will be cash prizes for those restaurants judged by FT readers to have offered the best in each price category. Lunch for a Fiver (£7.50 and £10) will run from Monday January 15 to Friday January 26.

Nicholas Lander

Now I wonder where London's Savoy Group got this idea from? Lunch or dinner for £8 (including VAT) throughout January at Simpson's-in-the-

Strand (tel 0171-340 6888), Brasserie St Quentin (0171-539 9005) and Grill St Quentin (0171-581 8377) and breakfast for £8 at Simpson's.

If booking for dinner you must sit down before 8pm and ensure there are no more than eight people in your party.

Jill James

A photograph of a chef clutching a duck and a chicken (live) to his bosom is unlikely to have vegetarians queuing up at The Savoy's River Restaurant (except in protest).

But, with the lad for guest chefs rampant in the London

market, the Savoy has invited Silvio Rivolta, chef proprietor of the Michelin-starred Ristorante Bontan, near Turin, to cook the light, simple, low-fat dishes which are his hallmark, from January 29 to February 8. He will also be holding a cookery demonstration on February 10.

Rivolta's dishes will include sliced breast of guinea fowl with citrus fruits, lobster salad with pomegranate and walnuts and penne with clams in a basil and tomato sauce.

A three-course lunch will cost £20, dinner £29.50, the menu dégustation £65 and a

four-course dinner £25. (Tel: 0171-836 4243 for details).

I hope the cooking's good: I dread to think what pens on the chef's good name will otherwise be invoked by London's restaurant critics.

JJ

Glenmorangie distillery in Tain on the Dornoch Firth is continuing its policy of "finishing" some batches of whisky in different casks. This seems to be recreating the experiments of those canny Scottish grocers who first discovered that an old cask could be put to good use where young whisky was concerned.

Two years ago we had a Glenmorangie finished in old port casks. This year there is a 1978 housed five years in an old Hermitage cask from Tain in the Rhone Valley and another which seems to have spent rather less time in a Madeira drum.

Of the two I found the Tain cask had imparted a certain pleasing sweetness, but that the madeira vessel had failed to contribute any appreciable refinement to the whisky. Both are available from Oddbins at £34.75.

If you are re-stocking your drinks cabinet for Burns night

later this month, Oddbins has a mixed bag of malts. The 10-year-old Glen Grant smells of rancid butter, which is disagreeable, but the Glen Garioch 1972 (£34.99) is wonderfully peaty for a Speyside.

The whisky harks back to a day when Speyside was less frightened of peat than it is now. Three whiskies come from Hart Brothers' stock: a good heathy 1976 from Benromach on Speyside (£29.75); and a 1973 Ledaig from Mull (£29.75) with a restrained Island character. I have had better bottlings of Highland Park.

JJ

لunch for a fiver

BOOKS

Modern Italy, warts and all

Robert Graham enjoys an optimistic view in the best tradition of foreign commentators

Patrick McCarthy has been remarkably nimble in producing a book on the upheavals of contemporary Italy. However, being a professor at Johns Hopkins University's centre in Bologna, he has had a flying start. The events have been unfurling on his doorstep.

His point of departure is the establishment of the new Italian republic after the second world war in the wake of Mussolini's fascist era; and he closes in 1984 with the end of former Berlusconi's brief experience as prime minister.

McCarthy obviously knows Italy well, and just as important, he clearly likes the country - warts and all. He rightly notes for instance that Italy's defects are often the reverse side of its merits, citing how the absent Italian state has helped spawn a race of dynamic small entrepreneurs. These elements imbue his analysis both with depth and balance, and as a result he has produced a highly perceptive book on contemporary Italy.

With an essayist's approach he explains the formation of Italy's post-war politico-economic system and why it con-

tained the seeds of its destruction. In this way, it is strikingly easy to see how rotten the system had become by the time the anti-corruption magistrates appeared on the scene in 1992 with their "clean hands" campaign.

Although the magistrates have now exposed the extraordinary degree of graft which permeated business and politics, McCarthy resists the temptation to write off successive Christian Democrat-led governments simply because they were corrupt. The uninterrupted Christian Democrat (DC) rule from 1946-1992 was a period during which Italy transformed from a rural emigrant economy into the world's fifth industrial nation. Italy's current travails should not obscure the DC's achievement of fostering such impressive "if unbalanced" growth.

At the root of Italy's problems has been - and remains - a weak state, he maintains. McCarthy lays considerable

blame on the Vatican for this, at least in the immediate aftermath of the fascist era. The vacuum left by Mussolini's fascism was filled by the Vatican which encouraged the creation of the DC as a new catholic democratic party. "The supremacy of the Vatican over the DC was the prime cause of the new state's weakness... Instead of receiving legitimacy through representation and efficiency, it received legitimacy from the papacy."

During the early post-war years, the DC had to cope with an exacting Pope XII, a powerful and discontented northern industrial lobby, an impoverished mezzogiorno and implacable Communist Party (PCI). Perhaps not surprisingly the DC were defensive and sought to protect themselves through a network of patronage and "clientelism". This clientelism was encouraged by the endorsement of a state-dominated economy which enabled the politicians to exercise con-

trol over banking and wide sectors of commerce and industry. The instability of governments was more apparent than real. Changes were necessary, not to pursue new policies but merely rebalance factional rivalries and allow others a slice of patronage. McCarthy avoids demonising

THE CRISIS OF THE ITALIAN STATE
by Patrick McCarthy
Macmillan £15, 289 pages

the impact of the fierce anti-communism of successive Cold War administrations in the US. But he insists that American interference damaged Italian political culture by blocking the alternation of power and so entrenching the privileges of the ruling élite behind the shield of anti-communism. Italy became the sole European democracy where the left was excluded from government.

The US almost certainly over-estimated the strength of the PCI. But their opposition to the idea of the PCI entering the government in the late 1970s - the so-called "historic compromise" - was consistent.

McCarthy believes the PCI's own indecision and the DC's opposition to the deal were equally important in sabotaging the historic compromise. For the DC it would have meant cutting in another partner on the spoils of office.

Yet even after the threat from communism subsided and the 1980s economic boom dissipated Italy's once powerful working-class movement, anti-communism remained a potent vote gatherer. The rise of Bettino Craxi's Socialist Party to become a major partner in government during the 1980s was built on the back of anti-communism. In this respect Enrico Berlinguer, the charismatic PCI leader, may have successfully occupied the high moral ground but he

failed to dispel the communist bogey.

McCarthy sees the collapse of the post-war political system due to a mix of external and internal pressures. From outside the fall of the Berlin Wall exposed the bankruptcy of communism. In removing the communist threat, the DC and their allies lost their main rationale and were seen to have no project other than nakedly clinging to power. At home the system had become weakened by complacency and the inability to reform. The powers of patronage were also undermined by the introduction of budgetary austerity to offset years of irresponsible debt-financed public spending.

Into this growing vacuum stepped the populist Northern League backed by the small businessmen of Italy's industrial heartland. In the early 1990s this was the first genuinely new party which set an agenda for reform. The path for the magistrates' assault on

the *ancien régime* in 1992 was meanwhile made possible because the politicians no longer had the power to block judicial investigations. The advent of the League, the magistrates' "clean hands" campaign and then Berlusconi's entry into politics were all, according to McCarthy, part of a "quest for citizenship": a search for new rules and a new state. Berlusconi's appeal lay in his loud-voiced mistrust of the state and a promise of less state - more freedom, less taxes.

McCarthy only falters when he chronicles the convulsive period 1992-94. He lacks the distance to measure his judgments and the inevitable arbitrary cut-off date leaves his conclusions hanging too much in the air.

But in the best traditions of foreign commentators on Italy, he is far more optimistic about the country's future than the Italians themselves. He is convinced "Italian society and government can indeed change, that many Italian commentators exaggerate their country's weakness and that the present attempt to reform the state will not inevitably turn into a restoration."

Why Canton came to Kew

The length of the Thames between Hampton Court and Chiswick, which encompasses the garden at Kew, has been deemed the cradle of the English landscape movement. Yet a current advertising campaign exhorts us to leave "a legacy to Kew" in order to provide "the food and medicine of tomorrow", emphasising research into the medicinal and educational benefits from plants. No mention here of its grand "Capability" Brown landscapes or soul-restoring floral displays; rather its scientific heritage is featured in this earnest millennium appeal.

Indeed, it is easy to overlook these gardens' long and varied history while sampling its delights. This weighty and authoritative account features on its jacket a view of Kew's pagoda - surely one of the world's great follies - in the morning mist. The pagoda can also serve as illustration of the rich background embodied in Kew's familiar features.

In 1757 when George, Prince of Wales needed someone to instruct him about architecture, his tutor was Sir William Chambers, whose *Treatise on Civil Architecture* emerged from the tutorials (a cut above the current royal architectural magazine, *Perspectives*). "The prince employs me three mornings a week to teach him architecture," Chambers wrote: "the building and other decorations at Kew fill up the remaining time." Much of this

KEW: THE HISTORY OF THE ROYAL BOTANIC GARDENS
by Ray Desmond
Harvill £25, 466 pages

remaining time was filled by the Dowager Princess of Wales, Augusta, who was "for ever adding new embellishments at Kew", including its first physic garden.

Chambers favoured the exotic and did not admire "Capability" Brown, denouncing the obliteration of mature gardens "to make room for a little grass, and a few American weeds". As a member of the Swedish East India Company he had made two voyages to China, taking careful measured drawings of buildings in Canton including a pagoda.

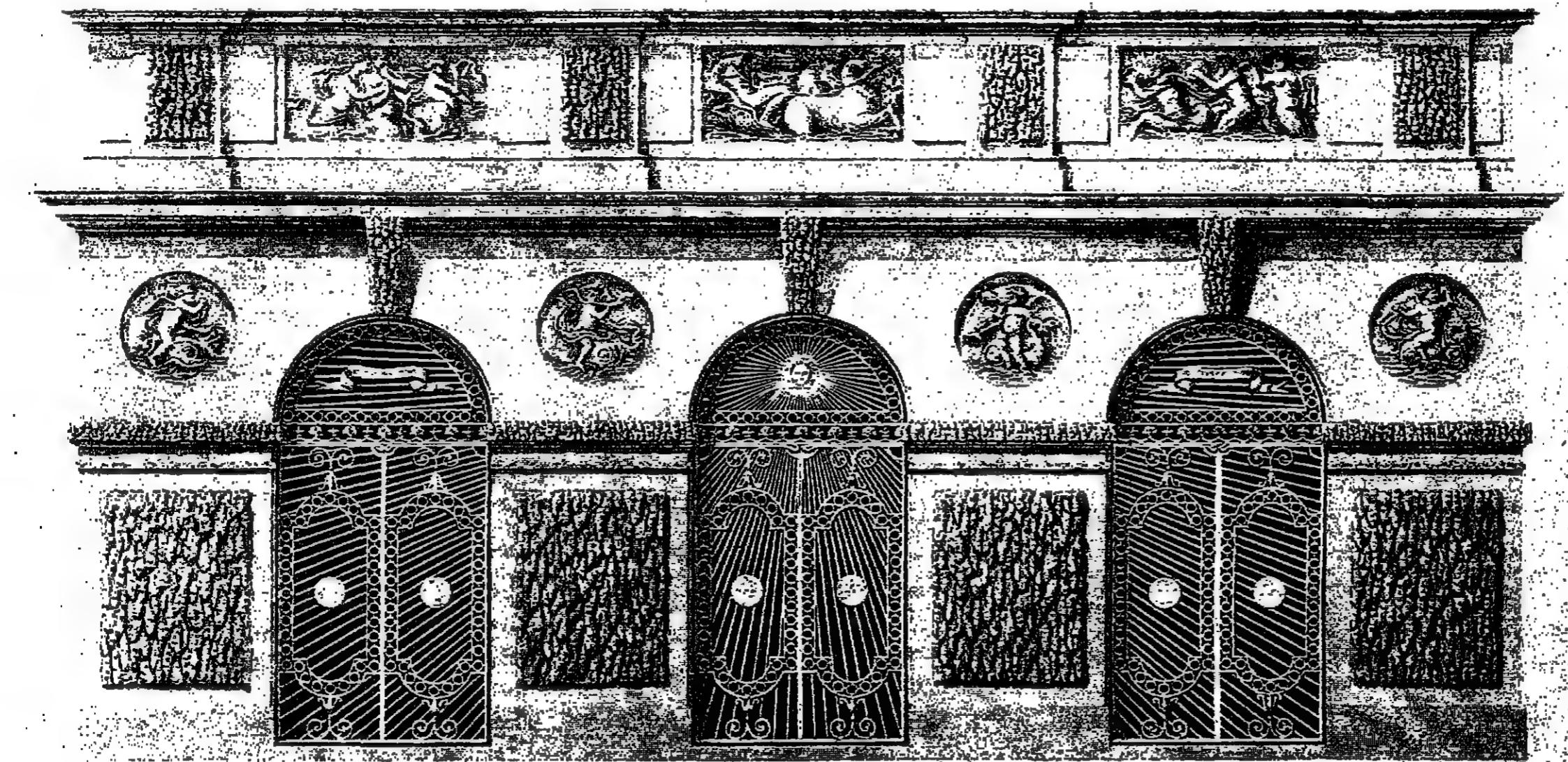
During the previous century, Louis XIV had erected the Trianon de Porcelaine at Versailles, decorated in a mistaken imitation of the Nanking pagoda, the first Chinese feature to adorn any European garden. Stowe's modest painted Chinese hut installed on its pond in 1738 was the first English landscape to boast such a curiosity. The vogue for chinoiserie was at its height when Chambers published *Designs for Chinese Buildings* in 1757.

Kew's pagoda, one of the few survivors of Chambers' Chinese phase, was completed in 1761 and soars 163 feet into the air. It was the most accurate copy of a Chinese building to be seen in Europe at the time, although it reflected classicism and the rococo as much as it did authentic Chinese architecture.

It is impossible to do justice to the comprehensiveness of both the text and copious illustrations of this superbly researched and beautifully produced book. Ray Desmond, a former librarian at Kew and author of several books about botany and botanists, has used both original archives and all conceivable secondary sources in this definitive account.

Alexander Pope was one of Kew's original consultants, and its history now extends almost 250 years beyond the time when Chambers inflicted his pagoda upon an unwary public. It encompasses George III's confinement at Kew during his first serious attack of porphyria, the attempt to introduce Pacific breadfruit to the West Indies in Captain Bligh's ill-fated *Bounty*, years of neglect from royal indifference and Treasury economies, collaboration with Charles Darwin, Crimean war army pensioners as gatekeepers, suffragettes smashing the orchid house and wantonly destroying plants, Palm House terrace planted with onions during the Great War, and - full circle from Princess Augusta to the opening of the Princess of Wales Conservatory in 1987.

Ann Geneva



Folly of a sun-king: The Grotto of Thétis at Versailles, built by the young Louis XIV to hold some of the most splendid banquets of his reign. It was demolished just 20 years after its construction to make way for a new wing for the château. Taken from "Pleasure Pavilions and Follies: In the Gardens of the Ancien Régime" by Bernd H. Dama and Andrew Zaga (Flemmarion, £25)

Distilled poetics of description

Nigel Spivey admires an academic's approach to overcoming the speechlessness bequeathed by violence

To profess great literature is not to produce it. One is grateful simply to comprehend what a modern academic writes, let alone admires it. So it is an almost begrimed admission that George Steiner's fiction has pertinence, verve, and candid grandeur. He ought to be over-qualified to construct such work. (As Anthony Burgess said of Steiner: "His problem is that he knows too much".)

The magnificence here does not stem from quality. Steiner published the title story of this present accumulation in 1956, and his entire output over four decades hardly amounts to a single blitz by Anthony Burgess. But two features of this limited production mark its importance. As befits his name, Steiner's style is flinty. His words are hard-worked and precise, yet not laboured nor pedantic. Though just occasionally a reader might feel that the care of delicate meanings, or some Latin tag, has passed too unrealistically from the author to his characters, the distilled poetics

of dialogue and description assist and reward close attention.

"No poetry after Auschwitz": Theodor Adorno's dictum has been extended by Steiner in the past, to the point where he has suggested that the horrors of the Holocaust were so huge that they left us beguiled not only for poetry and other literary forms, but words themselves. Here however we see Steiner's own attempts to overcome the speechlessness bequeathed by violence. Perhaps Adorno's remark was always as silly as saying, for example, "no poetry after the Somme": for while it must be true, as Primo Levi saw (first-hand), that Auschwitz and the other camps institutionally obliterated the distinction between cultivated and uncultivated minds, outrage will out. A voice is ultimately found.

So although Steiner himself was not a victim, and has never been a fighting man, his evocations of the terrible are bleakly convincing. Characters are dragged off the pages with gaping mouths, and dripping stumps where their fingernails were;

moments of betrayal, indifference and recognition are dramatised with passionate accuracy. There is understatement, but not silence.

The longest story is "The Portage to San Cristobel of A.H.", an unhappy title for a fantasy which swells into a thunderous essay on the mind of the Holocaust's true author. Hitler is imagined, snarled but alive, and unrepentant, in the

but we can understand why they might still retain this bitten-off, fragmentary tone. In the words of one ex-combatant character to his psychiatrist, "wars kill a long time after". As Steiner traces them, the consequences of violence can never be fully wrapped in the literary package. Two tales in particular trace this lingering destructiveness.

In "Return No More", a former Wehrmacht officer limps back to the house in Normandy where he was once billeted. He proposes marriage to the sister of a man whom he had executed. Somehow, in the complex of guilt and reconciliation, she accepts. But the wedding itself hosts revenge. It was a return too soon.

Then, in "Sweet Mars", the joint

fortunes of two officers in Montgomery's desert campaigns are traced, both before and after the war. Generosity regarded as impossibly "European" in his sensibilities. Steiner here shows himself perfectly attuned to the lingo and banter of British public school types; and he understands their sexuality too. The range of the story, the force of its turns

and protagonists, convince one that Steiner could sustain a full novel - if he so chose.

The most evidently academic piece of the collection is "Proofs". A cross-hatching of plot and setting hardly disguises its function as a commentary on the apparent eclipse of communism. A committed Italian Marxist watches crowds dancing over the Berlin Wall on his television. California gushes past the iron Curtain. Heaven on earth becomes a well-stocked shopping-mall. Is Steiner's own voice collected in the expressed distaste and suspicion of the unrepentant Marxist? Capitalism, he declares, lets people stow in their well-being. "But that", he continues, "is to hold man in utter contempt. It is to turn history into a graveyard for used cars."

Intellectuals can never concede the universal gratification of Coca-Cola. But they can at least try to get their own ideas into the marketplace. And if merit is measured by nothing more than royalties, then this book deserves to earn Steiner a vast new batch of followers.



George Steiner: flinty precision

Short stories/Joan Smith

Pyrotechnic but pitiless

Wicked Women, the reader meets them all again, recognising at once their pained self-absorption and the build-up of tension which inevitably leads to explosive release.

Weldon is an enthusiastic observer of social trends and the stories are bang up-to-date. The collection opens with "End of the Line", in which a nymphomaniac New Age journalist pursues a sacked TV presenter in his rural retreat, seducing him with sex and an offer to write a biography which will re-establish his career. The peripheral characters include the pundit's gay son and daughter, the latter apparently

contemplating a sex-change operation which will turn her into a man.

Elsewhere in the book, in "Through a Dustbin, Darkly", the targets for Weldon's satire are a group of artists whose tireless self-promotion is revealed as a form of parasitism. Their careers are littered with discarded mistresses and the latest incumbent is on the verge of being gobblled up emotionally and financially until, in a wildly self-destructive gesture, she strikes back with an arson attack.

For Weldon's admirers, who include the novelist John Irving, what we are being offered

aging people without insight into their petty motivations. Yet it is hard to square this estimate of Weldon's achievement as a writer with plots and characters which are no more than repetitions in new settings and trendy clothes; above all, her emotional range is limited to pyrotechnic but essentially dead-end feelings of anger, jealousy and a thirst for revenge.

In recent years, and to a painfully obvious degree in *Wicked Women*, Weldon's authorial voice has not been that of an ironist so much as someone who has fallen into the habit of sarcasm. There are

no subtleties here, no surprises or insights; the tone is arch, self-congratulatory, and carries that note of certainty which is inimical to risk and originality in fiction. More and more, Weldon's success begins to look like a happy accident of timing: the angry young woman who began her writing career by giving voice to the frustrations of dispossessed mothers, wives and daughters has turned out, in her mature years, to have little else in her repertoire.

Susanna Tamaro is currently the female novelist of her generation - which is to say under 40 - in Italy. Her second novel

Va' dove ti porta il cuore (published in English this year as *Follow Your Heart*) was a runaway success, diving straight into the subject of tortured family relationships in a country where such ties have not yet unravelled quite so spectacularly as they have in Britain.

Per Voce Sola (For Solo Voice) is a collection of short stories written before *Follow Your Heart*. The voices are emotional, that of a young girl from eastern Europe forced into prostitution or a dying woman suffused by guilt because she gave up her illegitimate child for adoption many years before. They have a mechanical quality, as though Tamaro's imagination has had to strain too hard to reproduce their feelings: the collection is interesting more for what it reveals about Tamaro's development as a storyteller than in its own right.

Ann Geneva

ARTS



The very height of fashion: Richard Cosway's portrait of the Prince Regent, later King George IV.

Life and times captured and preserved

William Packer visits the British Museum and National Portrait Gallery

What better time than the new year to make a fresh start, and what better way to do so than to get back to first principles. The British Museum is what it is not because of its temporary exhibitions, wonderful though they may be, but because of its permanent holdings and collections.

Collecting of course means acquisition, by gift or bequest,

by searching and assiduous scholarship, sometimes by luck but most of all by purchase. And, hard though it sometimes seems for the modern political mind to grasp, purchase means spending money, public money, on our behalf, in a continuing process of enlightened self-enrichment.

It follows that from both the museum's and our own point of view, there can be no exhibition more intriguing, revealing

or indeed important than the occasional display of recent acquisitions. More should be made of the opportunity, and more regularly, for what shows there are tend to be uncatalogued and indifferently publicised.

The current show of only

some of the works acquired so far in the 1990s by the department of Prints & Drawings at the BM, which even so fills its gallery, is such a case in point. It is an astonishing display, full of rare, beautiful, fascinating or contentious things, embracing the whole gamut of interest from 16th-century Rome to London the day before yesterday.

We begin with a delicious fragment of Taddeo Zuccaro, freely-stated ink study of a Sybil, to fill a right-hand lunette, and match the left-hand image already in the museum - there is true collecting. We end with a schematic, spidery indication of a parquet floor by Rachel Whiteread - which is fair enough. The curiosity has always been grist to the museum's mill, quite as much as any purely excellent example. Many an indifferent renaissance drawing, after all, is rendered remarkable by the mere fact of its survival and well worth its place. The final group of drawings, by younger British sculptors, may explode the myth that sculptors necessarily make fine draughtsmen, but that is not to say they should not be there.

What else? All sorts of good things, from Palma il Giovane, Lely, Gurni, Callow - who once saw Turner hard at work in a gondola before San Giorgio as the sun went down - and Francis Danby, to Clemente, Westlake, Kossoff, Auerbach and Paula Rego. Near the beginning is a lovely feathered charcoal study of a boy with a purse, by the 16th century Venetian, Francesco Bassano, son of Jacopo, and near the end, two reclining nude women by Walter Sickert. Close by these last are three studies of heads, by Charles Nevinson, Winifred Knights and Leon Underwood respectively, that celebrate wonderfully the virtues of study from life, as practised at the Slade and Royal College in the earlier decades of this century. I am sure that Deanna Petherbridge, lately appointed professor of drawing at the RCA, and whose own capriccio of architectural space

hangs directly opposite, is indeed important than the occasional display of recent acquisitions. More should be made of the opportunity, and more regularly, for what shows there are tend to be uncatalogued and indifferently publicised.

In the field of the portrait miniature he was supreme. Here they are, these delicate creatures, these handsome young gentlemen with their powdered hair, their high collars, their carefully careless stocks, their medals and frogments. And here are their ladies, so lovely with their delicate lips and tumbled curls, their ribbons and their bows, and wide round eyes that look out so wistfully from these opened lockets. Set out in the library cabinets is the exquisitely ideal picture of a vanished age.

Prints & Drawings - recent acquisitions 1991-1995: The British Museum, Great Russell Street WC1, until April 21.

Richard & Maria Cosway - Regency Artists of Taste & Fashion: The National Portrait Gallery, St Martin's Place WC2, until February 18; sponsored by Mobil North Sea.

After Apocalypse - more distracting roles

Nigel Andrews talks to Robert Duvall, master of weird, fidgety humanity

He is an Oscar winner and prolific character actor. He turned one of the good lines of modern cinema into one of the great ones: "I love the smell of na-na-nam in the morning" (*Apocalypse Now*). And when he appears in a movie - even this week's radiantly insane *Something To Talk About* - you know there will be one character with a weird, charred, fidgety humanity, someone likely to distract you, give half a chance, from the big-money actors.

The Cro-Magnon pate and deep-sunk eyes, the leathery Virginian burr with its rhythmic rhythms, spell Robert Duvall. When I first meet him, though, he behaves like any half-fellow Hollywood star. "Where ya from?" "Er, London." "Oh, great city! One o' th' best!"

This tone continues when I ask what attracted him to the new film in which he plays Julia Roberts' dad in an all-over-the-place family saga.

"Main reason was I love the South and I wanted to work with Lasse Hallstrom. I was such an intense fan of *My Life As A Dog*. He's one of my three or four favourite directors."

Ten years ago, the others would almost certainly have been Francis Coppola, Francis Coppola and Francis Coppola. Most of us got to know Duvall through the *Godfather* films, where he padded predatorily in the wake of Brando and Pacino as the Corleones' lawyer. He took his inspiration for the role not from a Mafia *consigliere*, but from a Mafia boss.

"A friend of mine lived in East Harlem and talked about a guy called Carmine Tramonte, whom he knew as one of the Mob leaders in New York. Tramonte followed the older *capo* around before he took over. He'd light his cigarette for him, pull his chair out - like a high-powered gofer. And if anyone made him with that position, they'd be in trouble. I was like a Secret Service man who constantly looked out for Brando."

Coppola remains the major

touchstone of his career, though Duvall today still quietly rages at the way the director left blue of *Killers* - that gun-bo, foghorn-voiced master creation - on the cutting room floor.

"There was a scene that was taken out of *Apocalypse*. Now that really buggered me. I save a baby's life. Probably I killed its parents ten minutes before, but I put the baby who needs medi-

cal attention in my private helicopter to take to the medical base before I go out and surf. Coppola cut that, which is stupid. Why not give the guy another side? Nobody's all one thing or the other, and it was based on an incident that actually happened. Coppola was wrong, dead wrong."

Duvall had the last word when he wisely refused to appear in *Godfather 3*, though by now even the great director seemed a bit adrift from his project. "Coppola left his car running while he came into my

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ARTS

Dance which is naughty but nice

Alastair Macaulay discusses Frederick Ashton's role as the last English inventor of 'wonderland'

In *Wonderland*, her recent book, Jackie Wullschlager describes the five foremost English authors who created classic realms for children to inhabit. They are Lewis Carroll, Edward Lear, J.M. Barrie, Kenneth Grahame, and A.A. Milne, and their period is 1865-1920.

Wullschlager goes on to discuss leading books for and about children written after that period; but surely, after that period, the true flame of children's entertainment began to pass away from literature anyway. After 1920, the greatest creator of wonderland was neither a writer nor an Englishman: I refer, of course, to Walt Disney, whose Mickey Mouse and Donald Duck recapture the manic verve of the characters in Carroll and Lear. Still, there was one Englishman who went on inventing wonderland. He was a choreographer, Frederick Ashton. Paradoxically, this aspect of his complex art, this instinct for innocence, has become the side of him most acclaimed by the public and most disvalued by the critics.

Like Paddington Bear, Ashton (1904-86) was born in South America. If he had choreographed a Paddington Bear ballet - or a *Wind in the Willows* ballet or a *Puss in Boots* - it would have come as no great surprise. For this master-choreographer made the dances for the famous 1970 film *The Tales of Beatrix Potter*, a brief but brilliant *Tweedledum and Tweedledee* divertissement in 1977, and an enchanting ballet to illustrate a Hans Christian Andersen story with pods of peas, radishes and a cauli-flower, all dancing.

But long before he tackled these tales he had long been creating thrilling, innocent, funny realms onstage in which children and adults have been losing themselves with equal bliss for decades. There is no better example of this than Ashton's 1937 ballet, *Les Patineurs*, which looks like a Victorian Christmas-card come to life.

It depicts a skating-party with such style that many observers think, as I did when I saw it, that the dancers must be moving if not on ice, then on a specially slippery floor. They are not, of course: Ashton was simply very good at creating a completely coherent illusion, and the dancers all keep stiff backs, straight thighs, feet now sliding, now carefully digging into the surface beneath. These skaters are more or less adult, but - like

Gertrude Stein said the same thing to him when, in his 1937 ballet *A Wedding Bouquet*, he put onstage the whole French village that she had set in one of her plays. Likewise, it is astonishing that no one watching *The Tales of Beatrix Potter* questions that Jemima Puddleduck and Jeremy Fisher and the Two Naughty Mice do of course move like that.

He choreographed *The Tales of Beatrix Potter*, it will be remembered, for the 1970 film. He never chose to make those dances into a stage ballet - whereas he saved his Hans Christian Andersen vegetable ballet from the unsuccessful 1980 film of which it is a double bill with Ashton's *Titania*-Oberon ballet *The Dream*, plenty of children preferred the latter, less because it is a better ballet (though it is) than because they could lose themselves in its fairytale story. The *Beatrix Potter* dances, however, enchanted many university-educated adults.

The most serious complaints about *The Tales of Beatrix Potter*, however, surely come from an adult disquiet with aspects of Englishness - with the tweed-

ness of wonderland. This has some justice. Why is it the English have made so many stories about animals? And why are even the most rebellious English animals (e.g. Squirrel Nutkin) so much more tame than the most domestic American counterparts (e.g. Donald Duck)?

Some of the way *The Tales of Beatrix Potter* is staged will have surely bothered him. It is easy to forget that Ashton was in regular rebellion against the neatness of Englishness. When first he worked with MacMillan's chief muse, the fluid and iconoclastic ballerina Lynn Seymour, it was he who said to her "Don't be so stiff and English"; not she to him.

No one claims that *The Tales of Beatrix Potter* is a masterpiece, but it contains several sections that are delectable not for their Englishness but because of their human vital-

ity. It is the *naughty* mice, the *sly* puddle duck, who most truly captured Ashton's imagination.

"Wonderland", if you can accept that term generically of the realms created for children by several authors other than Lewis Carroll, is a fiction that all of us should view with considerable ambiguity. The wonderland of Porter, Grahame, Barrie and Milne is really a pastoral fantasy about the idyllic charms of the nursery. Ashton added several twists to it - the greatest of which is *La Fille mal gardée* - but he also used the genre to make as virtuous use of his language as contemporaries P.G. Wodehouse, Edith Sitwell, Evelyn Waugh and John Betjeman did of theirs.

And, more intimate than virtuous, Ashton built a kind of un-English rebelliousness into the core of his dance language. "I think his middle name was 'Bend'", one of his dancers has said. For Ashton, more than

any other choreographer, was forever making dancers bend from the waist - bend sideways, bend forwards, bend backwards. Seven years after his death, his ballets are still telling their dancers the same message. Right in the centre of their bodies, Ashton dancers - bending this way and that - are expressing the vitality that was central to his spirit. This vigour at the centre of the body is just what helps to make his dancers so like animals in *The Tales of Beatrix Potter*. Paradoxically, it is also what makes them so human.

The Royal Ballet dances *Les Patineurs* and *The Tales of Beatrix Potter* at Covent Garden until January 6. *Rhapsody* rejoins the repertory in February and March; a triple bill of *Symphonic Variations*, *Rhapsody*, and *The Dream* is announced for April. The Birmingham Royal Ballet will dance *Birthday Offering* on tour into the spring.

Jeremy Fisher in the Royal Ballet's production of Ashton's *Tales of Beatrix Potter*

Twisting the arm of the heritage secretary

Antony Thorncroft discusses the plight of the Arts Council in the face of the lottery

The Arts Council believes it is making progress as it negotiates with heritage secretary, Virginia Bottomley, in an attempt to avoid cutting the grants of its clients in 1996-97.

In the November budget the council was shocked to receive a 3 per cent reduction in its grant, down £5m to £186m. The fact that the Treasury wanted Mrs Bottomley to accept an even smaller sum is little consolation.

Rather than accept the grant, the Council's chairman, Lord Gowrie, rather bravely postponed dividing up the cash - and the misery - among his clients, and announced that he would try and negotiate for more money. Arts companies

will now learn the worst, or the best, later this month.

It seems unlikely that Mrs Bottomley will squeeze extra revenue from the Treasury, or re-divide the £186m budget to give more to the arts. Instead the arts are concentrating on that other great bag of swag, the arts lottery fund, which brought in £20m in its first year and is still growing. Some how it must be made more flexible, weaned away from its current concentration on capital projects.

An obvious area of study, which could just make up the £1m cut and leave arts companies on stand-still grants, is the extra burden that working on the lottery imposes on Arts Council and Regional Arts Board staff. It could be argued that all the time they must now spend advising and administering lottery projects should be paid for out of lottery revenue. The arts lottery is more reasonable, asking arts organisations to find only 10 per cent if they want a grant of less than £100,000; 25 per cent for larger sums. But even these amounts are already causing problems. Despite receiving £30m from the lottery, Ian Albany of Sadler's Wells is finding it difficult to raise its £10m needed

companies, with frozen grants, forced to create good work in brand new lottery financed buildings, has yet to be attacked. The simple solution - switching lottery money to revenue grants, or even to endowments - poses a danger to the long-term survival of an annual government grant to the arts.

Another lottery matter that must be confronted this year is matching money, the need for successful lottery applicants to be able to muster a sizeable contribution from their own resources. This is particularly tough for millennium projects, which must meet lottery money on a fifty-fifty basis. One major reason why Cardiff Bay Opera House was rejected by the Millennium Commission last month was doubts about its ability to raise its £40m towards the final cost.

The arts lottery is more reasonable, asking arts organisations to find only 10 per cent if they want a grant of less than £100,000; 25 per cent for larger sums. But even these amounts are already causing problems. Despite receiving £30m from the lottery, Ian Albany of Sadler's Wells is finding it difficult to raise its £10m needed

towards the £40m re-development.

The Wells receives little financial help from its impoverished local authority, Islington, only £210,000 a year from the London Arts Board; and raises £250,000 a year in sponsorship, the three obvious sources of lottery aid. Colin

Tweddle of the Association for Business Sponsorship of the Arts thinks that the corporate sector will be unable to meet all the demands on its generosity from lottery seeking arts companies.

So far the Arts Council is relaxed about the problem. To date it has handed out 391 lottery grants for a cash total of £203m. But the total cost of the projects it is supporting is valued at £550m, suggesting that the arts have found 63 per cent of the investment from other

sources. Only Sadler's Wells is currently giving cause for concern.

Twelve times as many people work in the arts than in the iron and steel industry. This insight into the labour market comes from the Arts Council's analysis of the 1991 census. This showed that, in the previous decade, while the size of the overall work force stagnated, employment in culture rose by 37 per cent to 648,900.

As many people are culturally employed as work in banking and finance, or the railways and road transport. The biggest rise was in artists - including commercial and graphic artists, up 71 per cent, while employment on the stage was 47 per cent greater. Since 1991 the numbers involved will certainly have moved higher. Talk of the death of the arts has been much exaggerated.

Sotheby's main display, which opens on Monday, is traditional and popular - great country houses of the UK as depicted by artists from the 15th century to the present day. They come from Castle Howard, Althorpe, Arundel, Houghton Hall and Delmeney, among many more.

The simple solution poses a danger to the survival of government grants

This is the time of the year when you can visit the London auction rooms at Sotheby's and Christie's and be certain of a bargain. There are few, if any, sales and the main rooms are given over to free exhibitions. Christie's has the most intriguing show - Brazil as depicted in paintings, drawings



Radio/Martin Hoyle

Aphids and aliens, Pinter and Proust

Did you know you could be arrested for spraying your plants against aphids in the time-honoured way? Thanks to EC regulations you can, I learned from the indignant *Gardeners' Question Time* on New Year's Eve.

Apparently you use products for purposes not listed on the container you are in breach of Eurolaw. God help amateur theatricals who use coconut-shells for horses' hooves, tin sheeting for thunder and cold tea for whisky - criminals the lot of 'em according to Euro-bureaucracy, that exquisitely judged blend of Kafka, Lewis Carroll and the Crazy Gang.

Hogmanay was notable also for the *World This Weekend's* political discussion. Stephen Dorrell's effortless erudition took in references to the Athenian assembly, theatre as reflection of deeper reality, and the variety of communications media - all with a casually cultured air which he had modestly kept hidden during his bulkily listless stewardship of the heritage portfolio. What a shame he never seems to be expert on the right thing at the right time.

Buttifully ignoring Gary Glitter and the fireworks enjoyed by John Knox's fellow-citizens, I warmed my northern fastness with Radio 3's celebration of the Janus-like quality of New Year's Eve. At times the evening's theme, *Remembering and Forgetting*, seemed no more than a handy label for some entertaining ragbag programming; an excuse to hear a Panufnik quartet (memories of an exile) or a snatch of *The Grateful Dead* (a non-committal discussion of guitarist Jerry Garcia's musical amanuensis following a diabetic coma). An ill-chosen recording of Samuel Barber's nostalgic setting of James Agee's text in "Knoxville: Summer of 1915" was memorable for proving that Leontyne Price, trying to scale down that volubulously burnished voice, could make cumbrously clumsy sounds after all.

A psychological comment at various points to the six-hour skim over the topic of memory, real or imagined. This embraced the growing ("at a phenomenal rate") number of people who claim to have been abducted by aliens. The phenomenon is mainly American but even in Britain one a month is reported. Though sceptical, scientists take the claims seriously.

Over the last year, the abductors are less inquisitive, in polite deference to English reserve perhaps, not being quite so sexual

over what they had done.

Martin Jenkins and John Theocaris produced and directed an absorbing and uncomfortably relevant experience.

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Sainsbury Wing

Entrance

Trafalgar Square

London WC2

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SPORT

Cricket / Canute James

Lara's theme is out of harmony

The moderate performances of the once invincible West Indies have as much to do with the behaviour of their truculent players and the absence of the world's leading batsman as it has with opponents.

Other teams would be justified in concluding that they were not being credited for an improvement in their play-matching and overtaking the West Indians in all departments of the game.

Much has been made of the problems in the West Indian camp, mainly the obvious differences between the administrators and Brian Lara, their exciting young batsman, and between Lara and his colleagues.

It is clear that on their current tour of Australia, players' minds are not focused on the Australian and Sri Lankan bowlers. They appear more concerned with what is happening back home, and how the impasse with Lara will be resolved.

Many have concluded that Lara has become a law unto himself and is beyond the measures which administrators apply to the lesser gifted when they transgress. Lara supporters - and not only West Indians - argue passionately but not persuasively that he was unfairly treated by the board in its mild punishment for reported indiscretions on the England tour.

It is also unlikely that Lara would have reached the heights of the game were he not given to moments of arrogance. Is this not one quality which allows for the elegantly dismissive manner in which he treats some of the world's leading bowlers?

Others feel that Lara may have come too far too fast. Is he being diverted from the game by commercial commitments? Playing cricket for the West Indies imposes a weighty burden of expectation.

After entertaining England two winters ago, many of the West Indian players went straight into English county cricket then on a tour of India, then to New Zealand, returning home just in time to play the Australians.

Depressed by a rare defeat, they played six tests in England, and are now involved in a one-day series in Australia

before next month's World Cup.

This is clearly not the happiest band of travellers. There is a clear commercial consideration in the schedule by the West Indies board. While pointing to the commercial disadvantage of the relatively small West Indian grounds, the region's board has been unable to make enough capital from what has been the world's most marketable cricket team.

West Indian supporters have been surprised and frustrated to see spectators in Australia and England wearing West Indian hats and shirts, which have been difficult to obtain in the region.

It is only in recent months that there have been sound commercial rewards for West Indies cricket, and mainly through the televising of

Players have complained of being isolated and having no input into the game's administration

games. So a packed schedule, preferably of away tours, has been the order for the team.

Compounding these problems is an apparent lack of communication between the administration and the players. Former West Indies players, including Vivian Richards, Desmond Haynes, and Malcolm Marshall, will agree that the West Indies board has not managed its relations well with players.

A significant improvement in players' earnings in recent years appears to have been considered enough. Players have complained of being isolated and having no input into the game's administration. The new wave - Hooper, Campbell, Adams, Chanderpaul - are talented but inconsistent.

Which brings us back to Lara. Does he have a future in West Indies cricket? If nothing else, Lara is ambitious. Logically, his next step should be to lead what could, perhaps again, be the world's best team. Until last summer he was on course for the captaincy. Now many, including a few of his supporters, are less certain.

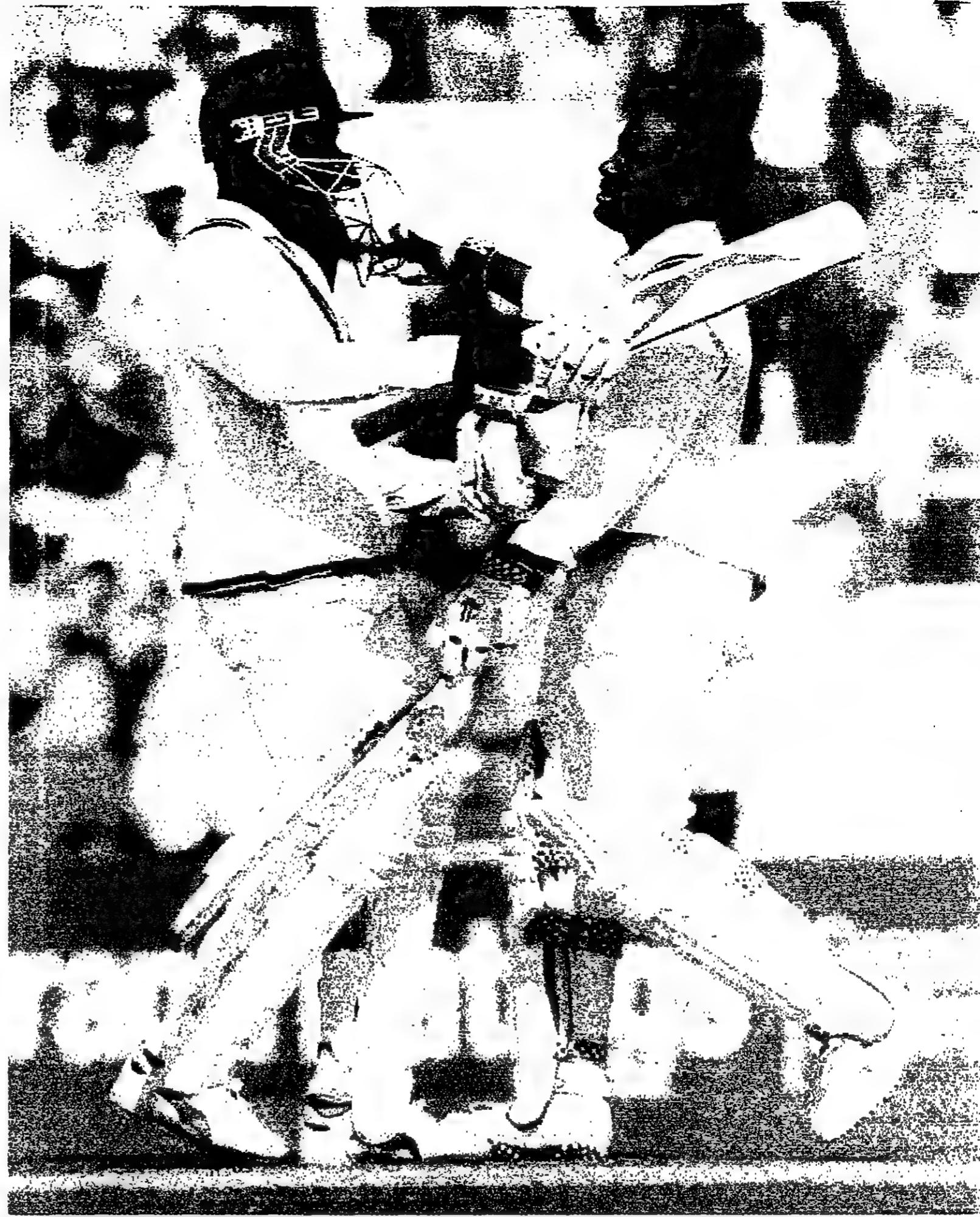
The rows with Richie Richardson, the current captain, which were revealed in the manager's report of the tour of England, suggest that Lara will not easily be part of a team led by Richardson.

Unless there is a recovery in the fortunes of the West Indies, Richardson will face growing pressure to step down. However, Lara is unlikely to be appointed by a board with which he clearly has differences, and is also unlikely to fit into a team comprised of players he has criticised.

In spite of the results in Australia, the West Indies team is not a one-man band. It has lost matches, and a series, with Lara. But in recent times it has not won many when he fails to perform.

Any team will benefit from a brilliant and assured century or double century from Brian Lara. If it does not happen again, the loss will not just be to the West Indies, but to cricket.

Fatigue and dissension are not all that is responsible for West Indian woes. Other teams have raised the quality of their game, emulating the West



Lara and Richardson: will they ever play together again?

Tennis / John Barrett

Graf confirms her greatness

John Barrett's 1995 world rankings

Last year's positions in brackets

MEN

1. Steffi Graf	(GER) (2)
2. Monica Seles	(USA) (-)
3. Thomas Muster	(AUT) (-)
4. Boris Becker	(GER) (4)
5. Michael Chang	(US) (7)
6. Yevgeny Kafelnikov	(RUS) (-)
7. Thomas Enqvist	(SWE) (-)
8. Jim Courier	(USA) (-)
9. Wayne Ferreira	(RSA) (-)
10. Goran Ivanisevic	(CRO) (6)

1. Steffi Graf	(GER) (2)
2. Monica Seles	(USA) (-)
3. Arantxa Sanchez-Vicario	(ESP) (1)
4. Conchita Martinez	(ESP) (3)
5. Mary Pierce	(FRA) (4)
6. Gabriela Sabatini	(ARG) (6)
7. Steffi Dittmar	(GER) (9)
8. Mary Joe Fernandez	(USA) (-)
9. Jana Novotna	(CZE) (6)
10. Anke Huber	(GER) (-)

1. Steffi Graf	(GER) (2)
2. Monica Seles	(USA) (-)
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4. Conchita Martinez	(ESP) (3)
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2. Monica Seles	(USA) (-)
3. Arantxa Sanchez-Vicario	(ESP) (1)

INTERNATIONAL ARTS GUIDE

What's on in the principal cities

AMSTERDAM

CONCERT

Concertgebouw Tel: 31-20-5730573
• Mstislav Rostropovich: the cellist performs J.S. Bach's cello suites Nos. 2, 3 and 5; 2.15pm; Jan 7

ATLANTA

EXHIBITION

High Museum of Art Tel: 1-404-8889284

• Art at the Edge: Janine Antoni: exhibition of recent work by Antoni, who uses domestic materials such as chocolate, soap, make-up and hair dye. Her work conveys her interest in converting everyday activities into artistic processes; from Jan 9 to Apr 14

BALTIMORE

CONCERT

Joseph Meyerhoff Symphony Hall Tel: 1-410-783-8000
• Baltimore Symphony Orchestra: with conductor James DePreist and violinist Vadim Repin perform Shostakovich's "Violin Concerto" and Mahler's "Symphony No.1"; 8.15pm; Jan 11, 12, 13

BERGEN

CONCERT

Grieghallen Tel: 47-55-211650
• I Vespri Siciliani: by Verdi. Concert performance by the Bergen Filharmoniske Orkester with conductor Paavo Järvi and the Norske Operakor; 7.30pm; Jan 11, 13

BERLIN

CONCERT

Konzerthaus Tel: 49-30-203032100/01
• Berliner Sinfonie-Orchester: with conductor Johannes Fritzsch, the male singers of the Philharmonisches Chor Berlin and alto Kathleen Kuhmann perform Brahms' "Rhapsody" and Bruckner's "Symphony No.3"; 8pm; Jan 11, 12, 13
• Staatskapelle Berlin: with conductor Othmar Sutler and clarinettist Matthias Glandorf perform works by Mozart and Dvorák; 8pm; Jan 9, 10

OPERA & OPERETTA

Deutsche Oper Berlin Tel: 49-30-3438401
• Falstaff: by Verdi. Conducted by Lawrence Foster and performed by the Deutsche Oper Berlin. Soloists include Karan Armstrong, Gwendolyn Bradley, Ingrid Wixell and Clemens Bleber; 7.30pm; Jan 10, 18
Staatsoper Unter den Linden Tel: 49-30-2032861
• Der Fliegende Holländer: by Wagner. Conducted by Simone Young and performed by the Staatsoper Unter den Linden. Soloists include Falk Struckmann, Siegfried Vogel and Ulrike Gustafsson; 7.30pm; Jan 12, 15, 20 (7pm)

BRUNTINGHAM

CONCERT

Symphony Hall Tel: 44-121-2123333
• Bryn Terfel in concert: an evening of choral music featuring the Welsh baritone. With special guest soprano Rebecca Evans, the Froncysyllte Male Voice Choir, the Rhos Orpheus Choir, the Caernarfon Male Voice Choir, pianists Annette Bryn Parry and Bryan Davies, and organist Huw Tregelles Williams; 7pm; Jan 7

BOSTON

CONCERT

Boston Symphony Hall Tel: 1-617-266-1492
• Boston Symphony Orchestra: with conductors Eri Kissi and Russell Sherman perform the epilogue ("Out of the World") of Schnittke's "Peer Gynt", Chopin's "Piano Concerto No.2" and Mussorgsky's "Pictures at an Exhibition"; 8pm; Jan 11, 12 (1.30pm), 13, 16

CHICAGO

CONCERT

Orchestra Hall Tel: 1-312-435-6668
• Chicago Symphony Orchestra: with conductor Daniel Barenboim perform works by M. Wagner, Berg and Beethoven; 8pm; Jan 11, 12, 13

COLOGNE

CONCERT

Kölner Philharmonie Tel: 49-221-2040820
• Münchener Kammerorchester: with conductor Christoph Poppen and violinist Isabella Faust perform works by Weber, Schubert and Schoenberg; 4pm; Jan 7

COPENHAGEN

CONCERT

Radio House Concert Hall Tel: 45-35 20 30 40
• Radiosymfoniorkestret: with conductor Michael Gielen, the Radiokoret and violinist Christian Tetzlaff perform works by Boulez, Beethoven and Bartók; 8pm; Jan 11

OPERA & OPERETTA

Det Kongelige Teater Tel: 45-33 14 10 02
• Hamlet: by Thomas. Conducted by Dietrich Bernet and performed by the



Sumi Jo performs songs by Mozart, Debussy and Donizetti in Paris

Decan/Julien Baroin

Royal Danish Opera. With the Danish baritone Bo Boe Skovhus in the title role. Other soloists include Inger Dam-Jensen and Randi Stene; 8pm; Jan 9, 13

FLORENCE

CONCERT

Teatro Comunale Tel: 39-55-211158
• Orchestra del Maggio Musicale Florentino: with conductor Myung-Whun Chung perform Debussy's "La Mer" and Bruckner's "Symphony No.8"; 8pm; Jan 12, 13, 14 (3.30pm)

FRANKFURT AM MAIN

CONCERT

Alte Oper Tel: 49-69-1340400
• Deutsches Symphonie Orchester Berlin: with conductor Vladimir Ashkenazy and clarinettist Sabine Meyer. Perform works by Takemitsu, Mozart and Schoenberg; 5pm; Jan 7

OPERA & OPERETTA

Städtische Bühnen - Oper, Ballett, Theater Tel: 49-69-2123744
• Samson et Dalila: by Saint-Saëns. Conducted by Sylvain Cambreling and performed by the Oper Frankfurt. Soloists include Margit Neubauer, Hubert Delambey and Philippe Floullon; 8pm; Jan 7

HAMBURG

OPERA & OPERETTA

Hamburgische Staatsoper Tel: 49-40-351721
• Così fan tutte: by Mozart. Conducted by Bruno Weil and performed by the Hamburg Oper. Soloists include Sole Isoardi, Ning Liang, Klaus Häger, Reiner Trost, Gabriele Rossenmann and David Pittman-Jennings; 7pm; Jan 11, 15

HELSINKI

EXHIBITION

Amos Anderson Art Museum Tel: 358-0-640221
• Christo and Jeanne-Claude Projects: Works from the Lila Collection: the exhibition features sketches and scale models of ten projects undertaken by Christo and his wife Jeanne-Claude from the early '70s up to his most recent work, the wrapping of the Berlin Reichstag in 1995; from Jan 13 to Mar 31

LEIPZIG

DANCE

Oper Leipzig Tel: 49-341-1261261
• Swan Lake: a choreography by Uwe Scholz to music by Tchaikovsky, performed by the Leipzig Ballet; 7pm; Jan 7, 9 (7.30pm)

LIVERPOOL

EXHIBITION

Liverpool Museum Tel: 44-151-2070001
• The Arts of the Samurai: 14th-19th Century: this exhibition is drawn from the museum's Japanese collections, which have never previously been displayed. The exhibits consist of Japanese armour, swords, sword-fittings and lacquer work from the collection of a Japanese man Randal Hibbert (1865 - 1942). The exhibition illustrates the European perception of the Japanese following the opening up of Japan to western trade in 1868; from Jan 11 to Aug 28

LONDON

CONCERT

Barbican Hall Tel: 44-171-6388991
• Royal Philharmonic Orchestra: with conductor Brian Wright and pianist Paul Lewis perform the overture to Rossini's "Il Barbiere di Siviglia", Handel's "Music for the Royal Fireworks", Tchaikovsky's "Piano Concerto No.1" and Beethoven's "Symphony No.3"; 7.30pm; Jan 7, St. John's, Smith Square Tel: 44-171-2221061

• Simon Keenlyside: accompanied by pianist Malcolm Martineau. The baritone performs works by Schubert and Wolf; 1pm; Jan 8

Wigmore Hall Tel: 44-171-9352141

• Gustav Leonhardt: the harpsichord-player performs works by Dumont, Couperin, Froberger, Forqueray and Weckmann; 7.30pm; Jan 8

EXHIBITION

Christie's Tel: 44-171-6399080
• Harewood Masterpieces: exhibition to celebrate the opening of the new Watercolour Rooms at Harewood. The display includes examples of the English watercolour tradition as painted by the masters of the genre



The sale also includes works by Liotard, Guercino, Piazzetta and Ricci; 10.15am; Jan 9

• Old Master Paintings: included in this sale are paintings from the estate of composer Miklós Rózsa. The sale includes works by Berchem, Wtewael, De Boulogne, Lawrence, Kell and others; 10.15am & 2pm; Jan 11

CONCERT

Avery Fisher Hall Tel: 1-212-875-6030

• New York Philharmonic: with conductor Kurt Masur and saxophonist Kenneth Radnofsky perform Debussy's "Prélude à l'après-midi d'un faune", "Rhapsodie" and "La mer", and Ravel's "Le vase"; 8pm; Jan 11, 12 (2pm); 13, 16 Carnegie Hall Tel: 1-212-247-7600

• Romeo and Juliet: by Prokofiev. Performed by the Orchestra of St. Luke's, conducted by André Previn; 8pm; Jan 13

JAZZ & BLUES

Blue Note Tel: 1-212-475-8592

• Dave Liebman Group: featuring Phil Markowitz, Vic Juris, Tony Mariano and Jamie Haddad; 8pm & 11.30pm; Jan 8

OPERA & OPERETTA

Metropolitan Opera House Tel: 1-212-362-6000

• Don Giovanni: by Mozart. Conducted by James Levine and performed by the Metropolitan Opera. Soloists include Jane Eaglen, Patricia Schuman, Ruth Ann Swenson, Thomas Hampson (Jan 10, 13) and Stanford Olsen (Jan 18); 8pm; Jan 10, 13 (1.30pm); 18

THEATRE

Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300

• Parsifal: by Wagner. Conducted by Leif Segerstam and performed by the Royal Swedish Opera. Soloists include Wolfgang Miller-Lorenz, Björn Askér and Sten Wählund; 8pm; Jan 8, 12

STOCKHOLM

OPERA & OPERETTA

Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300

• Admiration for Eternity: Status and Rank in Chinese Ornament: the exhibition explores the cultural context, social meaning, development and imagery of personal adornment in China from the 13th century BC through the Ming dynasty (17th century). The display includes 113 objects of gold, silver and bronze Chinese jewellery, ranging from Eastern Zhou Inlaid bronze belt hooks to gold filigree Ming dynasty earrings; from Jan 13 to Jul 14

STUTTGART

OPERA & OPERETTA

Staatsoper Stuttgart Tel: 49-711-221795

• Lady Macbeth von Mzensk: by Shostakovich. Conducted by Ingo Metzmacher and performed by the Oper Stuttgart. Soloists include Silvia Laarna (Jan 17), Marilyn Schimmele (Jan 18), Marja-Leena Varpio and Wolfgang Probst; 7.30pm; Jan 7 (7pm); 13, 18

THEATRE

Staatstheater Stuttgart Tel: 49-711-221785

• Corresponding Doors: by Ayckbourn. Directed by Christian Pade and performed by Schauspiel Stuttgart (in German). The cast includes Gesine Hennemann, Anke Hartwig, Götz Argus and Bernhard Bader; 7.30pm; Jan 12

OSLO

OPERA & OPERETTA

Norsk Opera Tel: 47-22-429475

• Turandot: by Puccini. Conducted by Martin Turinovsky and performed by the Norwegian National Opera. Soloists include Gunnar Oskarsen, Giorgio Tieppo and Itzak Galos; 7.30pm; Jan 8

OXFORD

EXHIBITION

Ashmolean Museum of Art & Archaeology Tel: 44-1865-278000

• Helen Saunders: retrospective exhibition of works by Helen Saunders (1885 - 1963), who became a member of the British avant-garde in the beginning of this century, signing the Vorticist Manifesto in 1914 and contributing to the Vorticist magazine "Blast". In the 1920s Saunders changed from the abstraction of Vorticism to the world of landscape; from Jan 9 to Mar 3

PARIS

CONCERT

Maison de Radio France Tel: 33-1 42 30 22 22

• Orchestre National de France: with conductor Charles Dutoit and pianist Pascal Rogé perform Mozart's "Don Juan" and "Piano Concerto No.25" and Poulenc's "Aubade" and "Sinfonietta"; 8pm; Jan 9

• Salle Gaveau Tel: 33-1 45 62 69 71

• Sinfonia: the coloratura soprano performs songs by Mozart, Schubert, Debussy and Donizetti; 8.30pm; Jan 8

• Symphonie No.8: by Bruckner. Performed by the Orchestre de Paris with conductor Yannick Nézet-Séguin; 8pm; Jan 12

SYDNEY

CONCERT

Sydney Opera House Tel: 61-2-250-7777

• Philip Glass: music for solo piano dating from 1978 to the present, performed by the composer; 8pm; Jan 12

VIENNA

CONCERT

Konzerthaus Tel: 43-1-7121211

• Teresa Berganza: accompanied by pianist Juan-Antonio Alvarez-Parejo. The soprano performs songs by Turina, Falla and others; 7.30pm; Jan 9

• Musikverein Tel: 43-1-5056681

• Jorma Hynninen: accompanied by pianist Rolf Götthorn. The bass performs songs by Kilpinen, Sibelius and Wolf; 7.30pm; Jan 8, 10

OPERA & OPERETTA



James Morgan

You say democrats, I say dictators

The fragile flower of democracy is viewed very differently on each side of the English channel

The festive season was marked by the usual outpourings of goodwill in Britain. As ever, its neighbours had to bear the full force of the outbreak and suffer yet another dose of good old bulldog realism. So it was that the celebrated novelist, Frederick Forsyth, produced an essay in the *Sunday Telegraph* tastefully entitled, "Will I too have to fight the Germans?" His argument concluded: "I recall the anthem 'Deutschland über Alles'. I do not want the land of my fathers to become part of the *Alles*." The Land of my Fathers usually means Wales, which makes this sentence a bit confusing.

That was followed by a lengthy piece in *The Times*, headed "A too

German Union", by Lord Rees-Mogg. Rees-Mogg is a regular commentator on the superiority of British political and economic arrangements. This time he wrote: "The German political tradition is 'undeniably authoritarian' and 'Adenauer and Kohl are authoritarian democrats'." He noted that English culture is liberal and English while Germany has a "control culture". The argument was fleshed out with telling references to Adolf Hitler and Bismarck.

Forsyth had come to a remarkably similar view: "The difference between the British and German peoples lies not in language, diet, culture or history, but in attitudes to authority: the British will always dispute it, the Germans

will always worship it."

Anyone who avoids the clichés of national stereotypes and casts aside ancient prejudices always receives a generous welcome in this column. So in the interest of fairness I am compelled to reprint here comments from a new year comment by the well-known German columnist, Helmut Alleswasser, in the *Rattenjäger-Tageszeitung* of Hamelin.

Under the heading, "Away with this British Dictatorship", Alleswasser lamented the way Britain expected other members of the EU to put Britain first and sacrifice their interests to its. "This nation has no knowledge of the limits of its power, living as it does in a post-imperial dreamworld where it

can dictate the way things should be done by so-called lesser breeds."

He then evoked the authoritarian traditions of British politics.

"Where else is there a democracy

that enshrines the sovereignty of parliament, a nation which gives

carte blanche to that body to do

whatever it likes?" Which enabled

Lady Thatcher to abolish the age-old government of London in a single command."

The article then listed the "astonishing changes" to which the British had submitted in the past 15 years without any of them, he said, having been part of the government's election programme. "And," he concluded, "all this was done by a government which held an overwhelming majority in parliament having received only 40

per cent of the popular vote. The British accepted it all. In France one-tenth of the same medicine had the people on the streets. The French are attached to their traditions and will fight to preserve them. The British will always submit to what they themselves call 'an elected dictatorship'."

Alleswasser concluded by quoting the second verse of the British national anthem: "O Lord our God arise, Scatter her [the Queen's] enemies, And make them fall! Should we all have to fall on our knees before Britannia?"

It is unusual to come across such half-truths, distortions and self-assertion in European papers. You just can't trust these continental.

Peter Aspden

More pranks in the banks

Imaged into my local bank on the last day before Christmas with the traditionally purposeful air of one who has urgent business to do: imagine my surprise when I was greeted by a splendidly eccentric vision of life on the Hispaniola.

Fishing nets draped over the office; a skull-and-crossbones flag fluttering in the corner; counters marked "Gallows" and "Gunner" instead of deposits and withdrawals. The manager's office, normally a haven of dignified quietude, had become "Captain Goatee's Beard Cabin". The young clerk behind the counter, naturally enough, had a plastic parrot attached to his shoulder and a black eye-patch worn casually across the forehead.

I grumbled something unseasonal about being glad I was not there to negotiate a delicate overdraft. But a foreign friend shook me from my grumpiness. This was I was reminded, encapsulated everything that was great about the English: the championing of horseplay over pomposity, the democratic willingness of everyone to join in the fun, the feeling that people were enjoying themselves in their work, and why not?

Why not, indeed. I was forced to agree. The customers were certainly entering into the spirit and the entire building seemed to radiate with good humour. It would become - did become in my case - a funny story to tell over the Christmas dinner.

But the question hammered away at my mind during the entire holiday: why could it not always be like

'Tessa' and 'Pep' should not be repeated more than once in a conversation



Workaholic: when the head of Channel 4 finally gets home from the office he turns on the television. "I've got one in every room."

Lunch with the FT

Living up to the family name

Lucy Kellaway meets Michael Grade, who insists that insecurity drives him to work 12 hours a day

He changed tack. "I'm having a wonderful day today. At the start of

the morning, I had a board meeting of our television and film distribution business, which is a wonderful export success story. At 12 I had a meeting with Chris Evans [a television and radio performer] and we had a long heart to heart. Lunch with you. This afternoon, I've a meeting on the funding formula. This evening we've got the launch of a film distribution business. A sun-packed day."

And what would be a bad day, I asked, walking straight into it.

"Lobbying the government. It makes me so angry. They've asked us to go into competition with the BBC. Sigh... "He was off again.

Our lunch had been going for half an hour but so far we had eaten nothing. "Hello, are you serving food today?" he asked a waiter.

Thinking about his steak and kidney pie, I asked if he was still on a diet. "No, but I ought to be. I am slightly overweight but nothing too

gross. I love my food. I love my bear. But I need an incentive. If you fall in love, you are much more attractive if you are a stone and a half lighter."

Clumsily, I asked if any such incentive was presenting itself, but he misunderstood the question. "I've got a bad back. It has been very bad these last three months. I went off to see this man, Mr Crock."

He said take a 75ml aspirin every day and walk 2½ miles. That's a fat lot of help. The chances of me finding time for that."

This led to a discussion of the pressures of his job. "I work 12 hours a day if I'm lucky. That's a good day. A lot of it is insecurity - I am driven. It's the sign of insecurity, but it's served me very well. Working harder than my competitors has given me an edge."

I protested, feeling impatient at this ultra-smooth man going on about how insecure he was.

"Put it this way, I have an enormous reputation to live up to with the family name." Every morning he talks to his uncle Lew on the phone. "We chit chat. Gossip. A bit

long lenses. I should have given the boys a story, let them write their worst - all their terrible, horrendous, awful stuff."

His voice became hard and bitter. "If they had to work as hard as I've worked in my life, they wouldn't have lasted three minutes. I stood there screaming until they went away. My toes curl at the memory of it. When you are exhausted, you don't think properly."

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of business. He is the best. Magic man. Magic."

I asked if he thought of himself as more or less of a workaholic than, say, BBC director-general John Birt or his friend at Carlton television, Michael Green.

"John Birt is driven by his background. He comes from second generation immigrants. Ukrainians," Grade seemed reluctant to discuss his erstwhile colleague, whom his relations are strained. "We are able to converse," was how he put it.

"But Michael Green is a wonderful man, he has a wonderful balance. He is driven, but fantastic at creating time for his family. I don't know how he does it. It's because he has a wonderful relationship."

I wondered how the famously private Green would feel about his friend discussing his family life.

"Put it this way, I have an enormous reputation to live up to with the family name." Every morning he talks to his uncle Lew on the phone. "We chit chat. Gossip. A bit

of business. He is the best. Magic man. Magic."

"I'm just looking at my watch to see if I have time for a cigar," he said. "I will smoke. Do you mind?"

Cigar lit and coffee brought, I asked him to tell me a joke. "Let me think for a second." For the first and only time during lunch, there was a second's silence. "The best jokes are Rory Bremner's," he said, slipping in another plug for Channel 4, which produces the impressionist's show. He imitated Bremner imitating Labour party leader Tony Blair. It was quite funny. But not as funny as a vicious imitation by the former editor of *The Times*.

Cigar finished, he said thank you, nicely, and stepped into his chauffeur-driven car to proceed with his due lack of reverence, for they can afford to. But that leaves the rest of us, tired, cautious, worried, a little afraid, seeking comfort from bland certitudes and uniformity. "Greed is Good," said Gordon Gecko. "Grey is Safer," we reply. Grey suits, grey hair, grey prime ministers.

Christmas pranks in high street banks are like the glass of sherry dispensed before an Oxford tutorial: here is a little tipple to relax you, but do not forget - you have a difficult time ahead and it is best that you do not drink too much. It does not take a genius, nor even a Nick Leeson, to realise there is much cant and hypocrisy going on here.

But we have it in our hands, as customers, to change things. It does not have to be pirates on the ocean waves, but I shall personally demand that all my future financial transactions be conducted with some degree of wit, flamboyance and creativity.

Furthermore, I shall unhesitatingly transfer my accounts to any one who agrees with me that 25 years is far too long a time-scale over which to make rational decisions, that the words "mortgage", "Tessa" and "Pep" should not be repeated more than once in any conversation, and that capitalism is on the verge of world-wide collapse.

But a word of warning: if he or she were to misplace any of my money, I would not see the joke at all, parrot on the shoulder notwithstanding.

Truth of the Matter / Philip Crowe

Abstaining from the Lottery

Needless to say, I have so far won nothing. Statistically, the chances of my winning are worse than having a serious accident with my bridge door, since I have not yet bought a ticket. But this week's massive jackpot has tempted me to play even more elaborate games: a charitable foundation, perhaps, with interest of £40,000 to disperse every week, and a full-time director (me, of course) paid a modest salary and expenses.

Already the games are becoming less innocent, and still I have not bought a ticket. I am not dissuaded by the "sight-bite" of the episcopal finger seen on TV news, pointing ominously at that over-worked verse from the Bible: "The love of money is the root of all evil."

It seems a little extravagant to assert that love of money is the root

cause of all evils, and a little elementary research indicates that the verse as usually quoted is not accurate.

The original Greek has no definite article before the word root. Love of money is a source of all evil. So that is all right then. Nor am I dissuaded, nor not much, by the fact that the chances of winning are extremely slight, and the price of buying just one ticket, having to leave that high moral ground which is strictly reserved for those who have never once played. Abandoning such self-righteousness would be a compelling reason for spending at least £1.

What really sets me against making any contribution to what Virginia Bottomley, the Heritage Secretary, describes as "harmless fun", curiously. The Report of the Royal

College of Psychiatrists on Alcohol and Alcoholism.

Until that report was published, in 1979, conventional wisdom was that there was no connection between normal social drinking and alcoholism.

For the vast majority, it was thought, social or even quite heavy drinking was no problem, and separate from alcoholism. A few people, through unfortunate body chemistry, hard circumstances, or broken relationships, will degenerate into alcoholics, but the number of such alcoholics is well over 1m. The increase in limits for "safe drinking", announced by the Health Secretary just before Christmas, are likely to make a bad situation worse. The Department of Health has apparently forgotten the conclusions of the Royal College of Psychiatrists.

What the report demonstrates, by drawing on a mass of statistical and social data, is that there is a direct correlation between normal, social drinking and alcoholism.

"The evidence," says the report,

in the number of serious casualties.

The National Lottery represents a huge increase in the number of people gambling on a regular basis. Some 30m people every week spend at least two pounds, some a great deal more. The number of addicts has also inevitably increased. Gamblers Anonymous reports an increase of 20 per cent in the number of calls for help since the start of the National Lottery.

Bottomey appears to dismiss all criticism in a cavalier way as "deriding a great success". For Camelot, the lottery is an unfailing weekly jackpot which has exceeded all its expectations. For people who enjoy a weekly thrill of harmless expectation, for people who play games in their heads, for some of the winners, and for the good causes, it is a big success.

But the more successful it is, the more people who are lured to play by the vast prizes, the greater the number of serious casualties. For the health of society as a whole, the lottery needs not pontificating statements, but a large number of abstainers.

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WEEKEND INVESTOR

Selecting shares by the alphabet

Readers will notice an extra list just before the London share service page in the back of the first section today. On normal days, the shares are divided into stock market sectors; but, for today only, they are also listed in alphabetical order.

Those investors who have problems hunting for their shares amid the myriad sectors might find it worth hanging on to today's pages for future reference.

The sector classifications, which are devised by the FT-SE actuaries industry classification committee, make it easier for investors to compare similar companies.

If you are interested in buying shares in a building company, for example, you might be attracted by a share trading on a price-earnings ratio of 10 when the rest of the sector has a p/e of 15.

Some changes have been made to the sectors for the new year. One important alteration is the disappearance of the catch-all "other services and

businesses" sector. The companies concerned have been redistributed to other sectors; for instance, Applied Holographics is now listed under paper, packaging and printing, and Waste Management International can now be found in support services.

The brewing sectors also have been reorganised to reflect the fact that many companies now make their money from running pubs rather than making beer. As part of this change, restaurant companies such as PizzaExpress have moved out of the leisure and hotels section to join a new brewers, pubs and restaurants sector. Pure drinks manufacturers are now listed under alcoholic beverages, which is mainly the old spirits, wines and ciders sector.

"Extra copies of the list may be obtained by sending a UK cheque for £2.50, made payable to The Financial Times Ltd, to the Back Issues Department, Financial Times, Southwark Bridge, London SE1 9HL.

Philip Coggan

New issues

Railtrack offer

Private investors will be offered large incentives to buy shares in Railtrack after the government decided this week to go ahead with the privatisation of the company which has taken over British Rail's track, stations and signalling, writes Geoff Dyer.

The flotation, which is due to go ahead in May, is expected by analysts to value the company at between £1.5bn and £2.5bn. At least 30 per cent of the shares will be set aside for private investors, although this proportion can be increased if demand is strong.

Retail investors will be offered shares at a discount to the price paid by institutions, and they will be able to pay in

two instalments. In common with the sale last year of the government's remaining stakes in National Power and PowerGen, the public offer is to be conducted entirely through share shops — mainly banks, building societies and retail brokerage houses. A marketing campaign starts in March and the public prospectus is to be published in April or early May.

□ The flotation of Clubhans, which will be the first listed golf-related company in the US, is expected to begin next week with the launch of its £2m placing and open offer. Clubhans is being demerged from Ex-Lands, the property company, and dealings start on February 12.

Directors' dealings

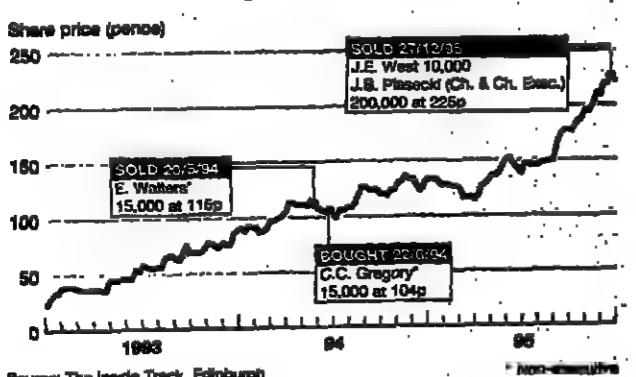
Buying food shares

There was more buying at food producer Acator & Hutchesson where chairman Ian Hutchesson bought 250,000 shares at 230p, writes Vivien MacDonald of *The Inside Track*. This follows his purchase of 130,000 shares at 225p last month after the price had slumped due to poor results.

□ Activity, too, at healthcare company Life Sciences International where four directors, including chairman Sir Christopher Bland and finance supremo Paul Triniman, bought 522,000 shares between them at 87.5p. This is a considerable vote of confidence, coming just two months after a profit warning which sent the share price tumbling.

□ Biggest sale of the week was at Goldsmiths Group, the high street jeweller chain, where chairman/chief executive Jurek Pasek and James West sold 210,000 shares between them at 225p. There was clearly an element of profit-taking here as the group has outperformed the market by 45 per cent over the past six months.

Goldsmiths Group



Directors' share transactions in their own companies

Company	Sector	Shares	Value (£'000)	No. of directors
Acator & Hutchesson	Mkt	30,000	188	1
Cox Insurance	Insu	158,571	171	2
Croda International	Chem	7,472	25	1
Dewhurst Group	Text	7,600	13	1
Goldsmiths Group	RetG	210,000	473	2
London Amer. Growth	InvT	50,000	36	1
Roxan	PP&P	20,000	71	1
Sherwood Compr	SSer	7,500	14	1
Stagecoach Holdings	Tran	26,300	93	2
PURCHASES				
Acator & Hutchesson	Food	250,000	675	1
Blenheim Group	Mkt	149,254	100	1
Brent International	Chem	30,000	21	1
Clarendon Garments	Text	18,000	52	1
Life Sciences Int'l	Hlth	522,000	457	4
Raglan Prop	Prop	50,000	11	1
Secure Trust	OthF	70,000	364	1
Tamaris	Hlth	1,160,000	22	1
Wolverhampton & Dud	Prop	4,000	22	1

Companies must notify the Stock Exchange within five working days of a transaction by a director. This list contains all transactions listed and USM, including exercise of options (1) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 25-29 January. Shares traded are ordinary, unless otherwise stated.

□ A Non-Voting.

□ Zero Dividend Preference Shares.

□ C Ordinary.

□ Convertible Preference.

Source: The Inside Track, Edinburgh, 0131-538 7070

Results due next week

Company	Sector	Announcement date	Last year's interim	Dividend (p)	This year's interim
FINAL DIVIDENDS					
Barr (AG)	Pharm	Monday	2.0	5.8	2.8
Dunmire Electrical	Phar	Tuesday	2.1	4.7	2.2
French	Text	Tuesday	-	-	-
Jersey Electricity	Elec	Wednesday	14.0	24.0	14.8
Lorrio	Phar	Thursday	-	-	-
Lowes Robert (J)	Text	Thursday	-	-	-
M&W	RetG	Wednesday	1.25	2.0	1.25
RCO Holdings	Phar	Thursday	4.05	11.05	4.05
Treft	Pharm	Monday	1.2	3.4	1.8
INTERIM DIVIDENDS					
Abbot High Life (H)	Int'l	Tuesday	1.6	1.6	-
Books (Shirey C)	Phar	Wednesday	2.5	3.5	-
Brayton	Int'l	Tuesday	4.2	6.0	-
Caledon	Int'l	Monday	-	-	-
Copart	Phar	Thursday	3.8	6.5	-
Creditis Brothers	Auto	Thursday	0.75	2.25	-
Coval Products	Phar	Thursday	-	1.35	-
Obsons Group	Phar	Wednesday	1.8	5.65	-
Ellie & Edward	Chem	Monday	2.7	5.7	-
Ewart	Prop	Wednesday	-	-	-
Ferrier, Gossard Inc (F)	Int'l	Wednesday	-	1.35	-
Fleming Int'l High Income	Int'l	Wednesday	-	-	-
GST Group	Int'l	Wednesday	-	-	-
Grants	Prop	Wednesday	-	-	-
HTR Inc & British (A)	Int'l	Thursday	1.8	-	-
Jones Street Ridge	Text	Thursday	0.02	0.008	-
Jury Hotel (F)	Leis	Thursday	8.0	13.0	-
Matthew Clark	Int'l	Monday	-	-	-
Merchants (H)	Int'l	Wednesday	-	-	-
Metcal Group	Int'l	Wednesday	-	-	-
Nease	Prop	Wednesday	-	-	-
Obsons (G)	Int'l	Monday	1.31	1.42	-
Obsons (H)	Prop	Wednesday	-	-	-
Obsons (I)	Int'l	Monday	10.0	16.0	-

Dividends are shown net per share and are adjusted for any intervening splits. Dividends and accounts are not normally available until about six weeks after the board meeting to approve preliminary results. □ 1st quarterly, □ 2nd quarterly.

□ 3rd quarterly.

Last week's preliminary results

Company	Year	Pre-tax profit (£m)	Operating profit (£m)	Dividend (p)
Castrol Land & Oil	Pre	1,001.1 (167)	1,013.0 (167)	2.1 (2.1)
Castrol UK	Pre	1,001.1 (167)	1,013.0 (167)	2.1 (2.1)
Deutsche Post (D)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (D)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (F)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (G)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (H)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (I)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (J)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (K)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (L)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (M)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (N)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (O)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (P)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (Q)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (R)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (S)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (T)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (U)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (V)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (W)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (X)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (Y)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)
Deutsche Telekom (Z)	Int'l	1,025.0 (200)	1,035.0 (200)	0.8 (0.8)

(Figures in parentheses are for the corresponding period. Dividends are shown net per share, except where otherwise indicated. Lcnses = Net asset value per share.

Int'l = 3-month figures. \$ = US dollars and cents. □ Previous year.

□ 1st quarterly. □ 2nd quarterly. □ 3rd quarterly. □ 4th quarterly.

Weekend Investor

Wall Street

AT&T rings some unwelcome changes

Mass lay-offs add impetus to a new industrial revolution, writes Maggie Urry

Happy new year. That is, unless you work for AT&T. The spirit of goodwill did not last long for employees of the US telecommunications giant, which is in the process of splitting itself into three. On Tuesday, they learned that 40,000 jobs were going, including 30,000 through involuntary redundancies.

The unhappiness is not confined to those 40,000, though. AT&T has not yet told its 300,000 staff which of them is going, which means uncertainty will hang over the workforce for many months to come. And even those who eventually survive this round of job losses, having already escaped the 17,000 reduction in the head count over the past four years, will be wondering if further cuts are to come.

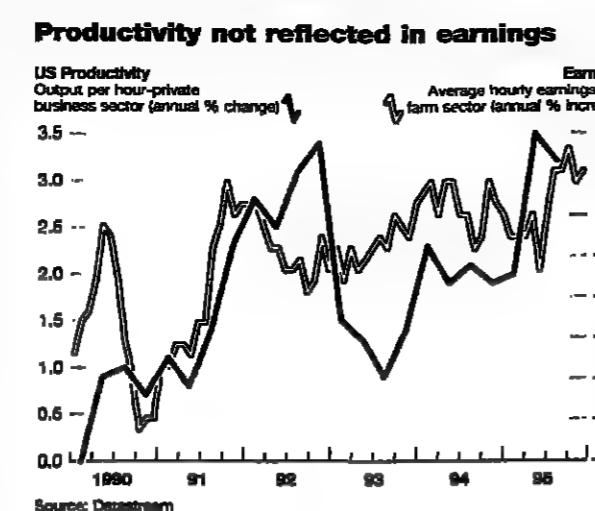
Given that uncertainty, are those people likely to be rushing out to buy cars, houses, washing machines or even to take a holiday?

If workers had not realised already, the era of a job for life has gone. AT&T's new year cuts may seem brutal, but no more so than the action taken by many companies in America and elsewhere in the industrialised world. Industries particularly affected are those such as AT&T in which technological changes mean people are being replaced by machines. It is little short of another industrial revolution.

In the end, it could prove that this industrial revolution, like that in Britain late in the 19th century, will produce a newly vibrant manufacturing sector. But, in the shorter term, it is hardly surprising that consumer confidence is not as high as the stock market. Or that retailers are complaining that their Christmas sales were as bad as in the 1990-91 recession, if not worse.

While productivity has been rising sharply in recent years, average earnings have lagged far behind. That has been beneficial to corporate profits and profit margins, but has kept a lid on inflation, in turn allowing the Federal Reserve to ease interest rates. That combination helped to fuel the rise in the stock market last year.

Market strategists would like to see it continue. Mores are not too concerned if consumers are under pressure. Low growth in spending would help to keep inflation down, enabling more interest rate cuts. And corporate profits can continue to



rise, though less rapidly. Furthermore, if employees fear being laid off, they might save more and perhaps invest more in the stock market.

There are a few voices being raised over the plight of the consumer. Will not the weak retail demand eventually work back through the supply chain even to the basic industries? This economic recovery has shown the weakest rise in consumer spending of any since the second world war.

There is, however, at least one voice arguing the opposite. The threat to the markets in 1996, says Stephen Roach, chief economist at Morgan Stanley, is that the consumer will spend more than many think. That would mean inflation picking up and interest rates not coming down.

Roach argues that after years of pay restraint, employees could start to press for a share of the improved profits their employers have been enjoying.

He points to the example of the strike at Boeing, and last October's election of John Sweeney, a militant, as head of the American Federation of Labor and Congress of Industrial Organizations, a body akin to the UK's TUC.

Boeing, the aircraft manufacturer, settled a 10-week strike of 33,000 machinists in mid-December on terms considered favourable to the union - including a 10 per cent bonus and a promise of a 14 per cent pay rise in 1997. Only a few days later, Boeing announced plans to increase production as worldwide demand for aircraft was recovering. It seems it needed those workers.

In spite of the bombshell

dropped by AT&T, Roach points out that the number of lay-offs peaked in 1993 and has been falling since. Workers' bargaining power is increasing. And if Wall Street needed any reminding of that, a strike started this week of office maintenance staff - which means brokers could soon be emptying their own waste paper baskets.

Roach predicts consumer spending will rise by 2.5 per cent in 1996, still below the 3.5 per cent rate in 1994 and 3 per cent in 1995 but higher than most forecasters are expecting. He is not expecting a "buying binge", he says, but neither is he predicting the sort of gloom which would keep the stock markets happy.

But the prospect of technology companies reaping huge profits as computers replace people, something that helped to drive up the sector last year, has taken another battering in the past couple of weeks. Profit warnings or poor results from companies such as Cirrus Logic, Silicon Graphics and Adobe Systems have knocked their share prices and put the technology sector under pressure again.

Shares in AT&T, by contrast, have risen this week. News of the lay-offs, and a \$6bn restructuring charge, lifted the stock price by 32% on Tuesday to \$37.7. So, at least it was a happy new year for the shareholders.

Dow Jones Ind Average
Monday Market closed
Tuesday 5177.45 +60.33
Wednesday 5194.07 +16.82
Thursday 5173.84 -20.23

London

Taking off into turbulence

High-fliers herald a volatile year, says Philip Coggan

Fasten your seatbelts. If the first week of 1996 is anything to go by, it is going to be a volatile year. In just the first four days of trading, investors have dealt with all-time highs across Europe, the defection of a Conservative MP, the resignation of the Japanese prime minister, the dismissal of the London Stock Exchange chief executive, and a threat to impeach treasury secretary, Robert Rubin.

Accordingly, the FT-SE 100 index bounded around like an aircraft during a thunderstorm. At one point on Tuesday, the leading index was 22.4 points lower, at 3,665.9, on the back of fears about the government's stability after Tory MP Emma Nicholson's defection to the Liberal Democrats.

Then a strong start to the year on Wall Street inspired the market to rise 27.7 to a new all-time closing high of 3,715.8 on Wednesday. London was merely joining in the trend: shares in Amsterdam, Brus-

sels, Cyprus, Dublin, Frankfurt, Johannesburg, Madrid, Oslo and Zurich reached all-time intra-day or closing highs on the day.

On Thursday, the index eked out another 7.4 to an intra-day high of 3,723 in the morning but ended lower on the session.

Worries about the ability of the US to put together a budget deal, in the face of Republican threats to impeach treasury secretary Robert Rubin, knocked Wall Street late on Thursday and caused Footsie to open with a 25-point loss yesterday.

A brief recovery followed but, in the afternoon, the Dow Jones Industrial Average was mostly weaker and Footsie finished 9.6 points lower at 3,704.5. Nevertheless, the leading index ended the week above the 3,700 level and the FT-A All-Share index managed to record more all-time highs.

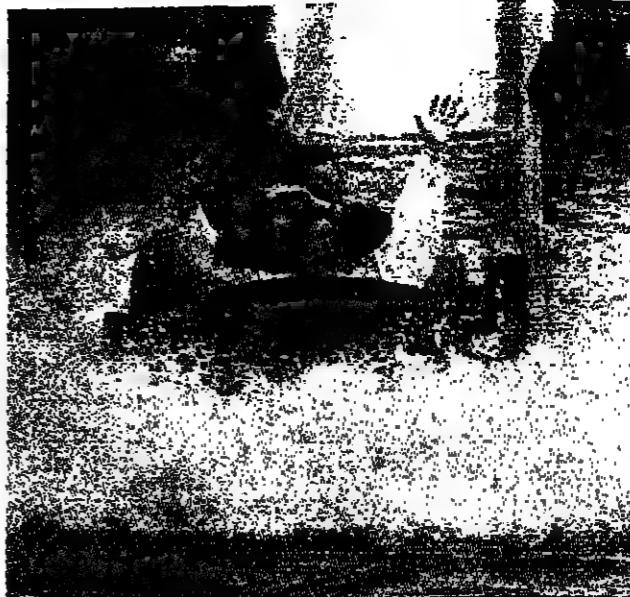
If anything, the broad market has been performing even better than the leading index this week, in the first three

days of trading, advancing stocks outpaced declining ones by more than two-to-one.

The broad market's strength brought the yield on the All-Share down to 3.75 per cent by Thursday night, lower than at any time during 1995. It has not normally been a good time to buy equities when the yield has been below 4 per cent.

The irony is that the year has started with such turbulence when most City commentators do not expect 1996 to be that exciting for equity investors. Most fundamental analysts are forecasting that Footsie will make modest progress in 1996, with predictions for its end-year level ranging between 3,700 (NatWest Securities) and 4,000 (SGST). Even the most optimistic, Ian Harnett of SGST, who is predicting a 4,000-4,250 end-year level, is not expecting Footsie to match 1995's 20.3 per cent increase.

Among the bears, Mark Brown, of ABN-Amro Hoare Govett, has a target of just 3,500. He cites political risk,



Investors should be ready for a bumpy ride in 1996

Tony Andrew

slowing profits growth and a likely correction on Wall Street.

Robin Aspinall, of Pannure Gordon, a pessimist about the market last year, thinks liquidity factors might drive Footsie up to 3,800 or 3,900 in the next few weeks, but will then act to drive the market below its present level later in the year.

But bulls may take heart from those who study the charts. Brian Marber, a technical analyst, expects Footsie to reach 4,200 by June on the basis of the average rise after a Coppock buy signal (this indicator, based on 11 and 14-month averages, flashed green at the end of April 1995). And, given the rather cautious forecasts of many analysts for the London market, he thinks there is a chance Footsie could do even better.

Robin Griffiths, chief technical analyst at broker James Capel, is expecting a strong move soon, reaching a new all-time high of 4,300 in the spring.

Among all types of analysts, the consensus seems to be that shares will start the year well but then fall back later on as investors start to worry about the approaching general election and the Labour party victory indicated by opinion polls.

Many analysts are hoping for two or more cuts in UK rates this year. But the short sterling future, the market's vehicle for speculating on rate changes, is expecting only a quarter-point cut in rates by September. After that, the future shows rates rising again to reach 7 per cent by December 1997. If that proves correct, then the stock market could well face a problem later in the year.

ries, however.

Concern this time seems to focus more on Labour's micro-economic policies, such as the minimum wage, rather than its handling of macro-economic issues, such as inflation and government borrowing, which have caused problems in the past.

It seems likely that the market will be plagued by political jitters throughout the year, acting as a brake on its attempts to approach 4,000. One possible driving force, of course, could be a continuation of 1995's bid activity. There were plenty of rumours last week, notably in the insurance sector, but no actual deals - not even the much-expected increased bid for Forte from Granada.

But the factors which fuelled the takeover boom in 1995 - low interest rates, strong corporate liquidity and a desire to act before a change in government - continue to operate. Indeed interest rates in the UK and the rest of the world continue to be the key to stock market performance. It is rare for share prices to fall while interest rates are declining.

Many analysts are hoping for two or more cuts in UK rates this year. But the short sterling future, the market's vehicle for speculating on rate changes, is expecting only a quarter-point cut in rates by September. After that, the future shows rates rising again to reach 7 per cent by December 1997. If that proves correct, then the stock market could well face a problem later in the year.

Barry Riley

Unlocking Europe's potential

The promise is there but attitudes need to be changed



These days, continental Europe's economies and stock markets tend to get a bad international press. Not only do the UK's Europhobic newspapers habitually sneer at everything continental, but the Americans are strongly critical of what they see as semi-socialist industrial policies and Bundesbank-dominated monetarism. Buy the bonds but sell the equities is the mood of the strategists.

But perceptions can be fickle and backward-looking. It is the future that really matters. It reminds me very much of the negative image that America itself presented in the 1980s, and which I discussed in one of the very first of these Saturday columns back in October 1987.

For a number of years before that, American stocks had performed lamentably by international standards, creating a poor reputation that has led directly to the under-exposure of global investors to US equities in the 1990s. For instance, UK pension funds have only about 4 per cent of their portfolios invested in Wall Street, against nearly 10 per cent if they had a full, index-weighted US exposure.

In the 10 years up to 1986, the average annual return on US equities lagged anywhere between 5% and 10% percentage points behind the

average annual growth in Germany, the UK and Japan. Earnings growth in the 1990s was terrible, partly because of the over-valuation of the dollar that squashed traditional US industries and partly because of the slowness of the response by management to global competition (in the car industry, for one). Any big US company with "General" in its name became regarded as synonymous with industrial decline.

I said, however, that it was wrong to dismiss US business as having moved irrevocably from domination to decadence. A turning point was near. I have to confess that the judgment could have been better timed, given that the Wall Street crash arrived the very next week. But, indeed, since the end of 1987, Wall Street has easily outperformed the World Index. For example, in the six years of the 1990s so far, the annualised return on the FT/S&P Actuaries US index, at 13.2 per cent, has trounced the mere 3.1 per cent available on the World ex-US index. And we can note that those "Generals" are respectable again: in 1995, General Dynamics' share price rose by 36 per cent, General Electric by 41%.

Perceptions of the US economy have changed. Is this because overall economic performance has improved?

According to the OECD,

returns (in dollars) on equities in Germany, the UK and Japan. Earnings growth in the 1990s was terrible, partly because of the over-valuation of the dollar that squashed traditional US industries and partly because of the slowness of the response by management to global competition (in the car industry, for one). Any big US company with "General" in its name became regarded as synonymous with industrial decline.

For the US in 1987, now read continental Europe, burdened by over-valued currencies and fossilised management attitudes. The issues here extend far beyond the heart of the economy. The bigger challenge is to accelerate the pace of restructuring in the context of multiple stakeholder philosophies (shareholders don't always come first, or even second) and routine political interference.

Not that European stock markets have performed that badly in the 1990s. Although the local currency return on the Europe ex-UK index was a modest 12 per cent in 1995, that turned into 22 per cent when expressed in soft dollars. And although Europe is supposed to be a single market, investors neglect the national differences at their peril.

At the extreme, there is the example of Italy, a substantial economy which has been growing quite healthily of late but where equity returns were slightly negative last year.

The decline ended a stock market capitalisation which is now only about one-eighth per cent the size of the UK's (although the two countries' GDPs are comparable in magnitude, depending on

guesses about the size of Italy's black economy). With its murky corporate governance practices and botched privatisation deals, Italy symbolises Europe's stock market shortcomings - but also indicates its potential.

Two factors may well galvanise continental Europe's corporate performance over the next five to 10 years, however. One is the need to harmonise corporate governance with international standards if capital is to keep flowing from the US, Japan, and the big global funds controlled in London. The second is the challenge of reforming social security systems and creating funded pension schemes which can direct their long-term investment flows into equities as well as bonds.

There should, after all, be a growth pay-off from the accelerated economic integration of the 1990s. It is true that European industry needs to fill some important gaps, notably in innovative areas of technology. And perhaps it does not appear likely that large swathes of traditional European industry will reinvent itself as the Americans have done.

But then, it did not seem obvious in the late 1980s that the Americans, so

overshadowed by Japan at that time and apparently

sliding into industrial decline,

would respond as they did.

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Prices are in dollars unless otherwise indicated and those designated 5 are as per the U.S. dollars.

Yield % refers to all buying expenses.

Prices of certain older insurance linked plans subject to unpaid taxes for an issue.

(*) Funds not SII recognized. The regulatory authorities when these are:

- **Barbados** - Barbados Monetary Authority
- **Guernsey** - Financial Services Authority
- **Ireland** - Central Bank of Ireland
- **Isle of Man** - Financial Supervision Commission
- **Jersey** - Financial Services Department
- **Luxembourg** - Institut Monétaire Luxembourgeois.
- **Switzerland** - Swiss National Bank
- **United States** - Change made on sale of units.
- **Buying price** - Net asset value plus expenses.
- **Selling price** - Net asset value minus expenses.

Time

The time shown alongside the fund manager's quote is the time of the fund's valuation point unless indicated by one of the following symbols:

- **0001** to 1100 hours
- **1101** to 1400 hours
- **1401** to 1700 hours
- **1701** to 1900 hours
- **1901** End charge on price of units.
- **C** - Manager's periodic charge deducted from capital.
- **H** - Higher pricing P - Forward pricing
- **D** - Distribution free of UK taxes.
- **P** - Periodic premium insurance plans.
- **S** - Single premium insurance.
- **D** - Designated as a DORTS (Underwriting for Collective Investment in Transferable Securities).
- **x** - Offered price includes all expenses except agent's commission.
- **y** - Premium day's price.
- **z** - Guernsey prices.
- **5** - Yield below January 1st.
- **1** - Ex-distribution, ex-1st dividend.
- **2** - Yield, 2nd year, 2nd dividend.
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- **388** - Yield, 388th year, 388th dividend

WORLD STOCK MARKETS

INDICES

Jan Jan Jan ----- 1995/96 -----

Jan. Jan. Jan.

US INDICES

Dow Jones Jan Jan Jan 1995/96 Since compilation

INDEX FUTURES		High										Low																				
	Open Sett Price	Change	High	Low	Est. vol.	Open int.		Open Sett Price	Change	High	Low	Est. vol.	Open int.		Open Sett Price	Change	High	Low	Est. vol.	Open int.												
■ CAC-40 (EURO 2 Intraday)	1927.0	1923.0	-13.0	1939.0	1913.0	18,486	33,019	■ DAX	1933.0	1930.5	-12.5	1941.5	1930.0	240	815	■ OMX	619.95	617.70	-2.10	620.80	617.40	102,749	197,307									
Jan	1927.0	1923.0	-13.0	1939.0	1913.0	18,486	33,019	Jan	1380.00	1385.00	-9.50	1391.00	1382.00	1,719	18,484	Jan	619.95	617.70	-2.10	620.80	617.40	102,749	197,307									
Feb	1933.0	1930.5	-12.5	1941.5	1930.0	240	815	Feb	-	1405.00	-	-	-	-	130	Jun	624.30	625.00	-0.30	625.00	623.00	405	5,837									
■ S&P 500	1026.0	1028.0	-2.0	1034.0	1026.0	20,799	-	■ SOFFEX	3387.0	3374.0	-25.0	3392.0	3372.5	4,829	13,720	Mar	619.95	617.70	-2.10	620.80	617.40	102,749	197,307									
Mar	1026.0	1028.0	-2.0	1034.0	1026.0	20,799	-	Jan	1380.00	1385.00	-9.50	1391.00	1382.00	1,719	18,484	Jun	624.30	625.00	-0.30	625.00	623.00	405	5,837									
Apr	1030.0	1032.0	-2.0	1038.0	1030.0	20,800	-	■ Nikkei 225	20520.0	20700.0	+100.0	20740.0	20510.0	22,389	137,212	Mar	20520.0	20700.0	+100.0	20740.0	20510.0	22,389	137,212									
May	1034.0	1036.0	-2.0	1042.0	1034.0	20,800	-	Jun	20650.0	20730.0	+140.0	20730.0	20620.0	107	18,286	Jun	20520.0	20700.0	+100.0	20740.0	20510.0	22,389	137,212									
Jun	1038.0	1040.0	-2.0	1048.0	1040.0	20,800	-	■ S&P 500	1026.0	1028.0	-2.0	1034.0	1026.0	20,799	-	■ SAP 600	5173.84	5194.07	+1.3	5177.45	5218.67	3832.08	5216.47	41.22	■ SAP 600	5173.84	5194.07	+1.3	5177.45	5218.67	3832.08	5216.47
Jul	1042.0	1044.0	-2.0	1052.0	1044.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Aug	1046.0	1048.0	-2.0	1058.0	1048.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	
Sep	1050.0	1052.0	-2.0	1062.0	1052.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Oct	1054.0	1056.0	-2.0	1066.0	1056.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	
Nov	1058.0	1060.0	-2.0	1070.0	1060.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Dec	1062.0	1064.0	-2.0	1076.0	1064.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	
Jan	1066.0	1068.0	-2.0	1080.0	1068.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Feb	1070.0	1072.0	-2.0	1084.0	1072.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	
Mar	1074.0	1076.0	-2.0	1090.0	1076.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Apr	1078.0	1080.0	-2.0	1096.0	1080.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	
May	1082.0	1084.0	-2.0	1100.0	1084.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Jun	1086.0	1088.0	-2.0	1106.0	1088.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	
Jul	1090.0	1092.0	-2.0	1112.0	1092.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Aug	1094.0	1096.0	-2.0	1118.0	1096.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	
Sep	1098.0	1100.0	-2.0	1120.0	1100.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Oct	1102.0	1104.0	-2.0	1124.0	1104.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	
Nov	1106.0	1108.0	-2.0	1130.0	1108.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Dec	1110.0	1112.0	-2.0	1134.0	1112.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	
Jan	1114.0	1116.0	-2.0	1140.0	1116.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Feb	1118.0	1120.0	-2.0	1144.0	1120.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	
Mar	1122.0	1124.0	-2.0	1150.0	1124.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Apr	1126.0	1128.0	-2.0	1156.0	1128.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	
May	1130.0	1132.0	-2.0	1160.0	1132.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Jun	1134.0	1136.0	-2.0	1166.0	1136.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	
Jul	1138.0	1140.0	-2.0	1170.0	1140.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Aug	1142.0	1144.0	-2.0	1172.0	1144.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	
Sep	1146.0	1148.0	-2.0	1178.0	1148.0	20,800	-	■ Nikkei 225	1053.00	1051.00	-2.0	1051.00	1053.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	■ DAX	1032.00	1031.00	-1.0	1031.00	1032.00	10,750	20,799	
Oct	1150.0	1152.0	-2.0	1182.0	1152.0	20,800	-	■ S&P 500	1051.00	1050.00	-1.0	1050.00	1051.00	10,750	20,799																	

PACIFIC
PIPE

17

AMERICA

US budget uncertainty mars trading

Wall Street

US share prices were volatile yesterday as uncertainty about the budget debate continued to rattle shares in larger companies. Technology shares reversed several days of weakness as investors searched for bargains, writes Lisa Brunster in New York.

The Dow Jones Industrial Average slid more than 20 points at the opening, and then bounced momentarily into positive territory before falling back in the early afternoon. At 1pm the Dow was off 7.95 at 5116.88.

The Standard & Poor's 500 was also volatile, although it never made it into positive territory. At 1pm the index was

2.5 lower at 615.45. The American Stock Exchange composite shed 6.03 at 542.44. NYSE volume was 246m shares.

Bonds exerted some influence on shares yesterday as they slipped amid confusing signals from the parties debating how to balance the federal budget.

The Nasdaq composite, which had fallen nearly 3 per cent in the previous two sessions started the day with a decline of another 1 per cent, but turned positive in the late morning as investors were encouraged by lower prices. Near 1pm the index was 2.06 higher at 1,031.90.

Microsoft, which had fallen more than \$2 on Wednesday and Thursday, was 8% higher at \$877, Apple Computer

added \$1 at \$326 and Dell Computers climbed 1% at \$334.

Adobe Systems was credited with sparking some of the early sell-off. The computer software maker reported earnings of 40 cents a share late on Thursday. Analysts had expected earnings closer to 57 cents a share. Shares in the company tumbled 15% or 27 per cent to \$222.

Marvel Entertainment Group fell 3% or 3 per cent to \$12.2 after announcing that it anticipated a loss for the quarter because of a \$26m charge taken to restructure its trading card operations.

Commercial banks, which were among the strongest performers last year, continued the sharp losses made on

Thursday amid fears that they had reached a peak in their profitability cycle. Citicorp fell 3% at \$63.5, JP Morgan was off 3% at \$76.5, Chemical Banking was 3% lower at \$55 and Chase Manhattan Bank slipped 1% at \$37.4.

Canada

Toronto headed back towards record setting territory in mid-day trade as a shining gold sector helped to offset a sagging bond market. The TSE-300 Composite index was 17.25 higher by noon at 4,234.00 in hefty volume of 41.6m shares.

Among actively traded gold stocks, TVX Gold rose 6% to C\$16.70 and Barrick Gold was 6% higher at C\$36.70, up 82 cents high of C\$36.88 earlier.

Commercial banks, which were among the strongest performers last year, continued the sharp losses made on

Latin America

MEXICO CITY decided that it was time to take profits after a week which had seen a number of impressive rises over several sessions. By mid-session the IPC index was off 28.07 at 2,744.56.

Dealers said that a fall in domestic interest rates had caused a number of investors to move cash out of the market.

Buenos Aires was marginally higher in midday trading, recovering from an earlier decline. The Merval index was up 3.85 at 556.46.

SAO PAULO continued to make headway, and by early afternoon was up 120.79 at 95.96.

ing core earnings to grow only 1 per cent in 1996.

The team likes the Netherlands, as well as Germany, among the core European countries. "Our peripheral market of choice is Spain," it

Mr Reynolds says: "The rebound in corporate earnings over the last 12 months have brought down European price/earnings multiples down to more comfortable levels. That said, the outlook for equities in continental Europe remains mixed. The strength of the D-Mark continues to cast a shadow over the German earnings outlook and in the near term, we find it difficult to justify a positive stance on the German stock market."

On emerging markets, BZW's Mr Hughes strikes a cautionary note. "It will pay to be selective," he says. "We don't think investors' tolerance for risk is high and the economic risks of investing in some countries have increased. We are below benchmark in Latin America, and modestly above benchmark in South East Asia."

The fundamental arguments for investing in the Asian region remain intact," argues Mr Reynolds. "The growth prospects in Asia look difficult to surpass elsewhere in the world."

Mr Chambers of James Capel is highly enthusiastic about south-east Asia, where he expects the markets to turn around in 1996. But in Latin America, he says: "Mexico is still under a cloud. The inflation problem will be trickier for longer than expected and double digit inflation doesn't sit with a market p/e of 15-20. Investors are also too optimistic about the outlook for corporate earnings."

Strategists may differ in their individual favouritism but few seem to be aggressively bearish about 1996. Summing up, Mr Hughes says this is a year when "we want to be fully invested. The supply of credit globally is the highest for 20 years and even if growth picks up, competition for funds won't develop from the real economy".

Japan in pole position as strategists view 1996

Philip Coggan notes a mood of cautious optimism

Last year was not an easy one for investment strategists. There were some volatile moves: the Dow Jones Industrial Average passed both 4,000 and 5,000, the dollar fell to Y100 and climbed back to Y100 and bonds reversed their Y100 declines.

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EUROPE

Russian resignation weakens Frankfurt

The resignation of the Russian foreign minister may have underpinned gains in gold bullion but it hurt one or two bourses on a day already undermined by falls in the dollar, the Dow and US treasuries, writes *Our Markets Staff*.

FRANKFURT displayed its usual sensitivity to Russian politics, said Mr Detlev Kring, head of trading at B Metzler. Equities moved from equilibrium in the morning to decline in the afternoon, the Dax index closing 17.15 down at an Ibis-indicated 2,315.66, still 2.7 per cent up on the week.

Turnover eased from DM8.4bn to DM8.1bn. The falls were led mostly by the cyclicals which had led the week's advance: in the automotive sector, the tyremaker, Continental, lost 37 pcts at DM20.45; in chemicals, Bayer dropped DM6.40 to DM6.94; and in steels, Thyssen fell DM3.30 to DM27.70.

PARIS was more involved in profit-taking than in external events as the CAC-40 index slipped 13.49 to 1,917.72. The bourse rose 2.4 per cent on the week, while turnover was respectable at FF73.4m.

Carrefour, the retailer, led active stocks as it declined FF7.03 to FF73.06. Dealers said that weekend profit-taking was the cause of the fall: the stock

watchmaker's high-profile sponsorship of the Atlanta Olympic Games.

Among second line stocks recording strong gains, Interdiscount jumped SF1.91 to SF1.89 on expectations that the company planned an extensive restructuring.

MILAN was weak as the war of words ahead of next week's parliamentary debate on the future of the government suggested implacable rifts between the various political blocs. The Comit index fell 9.04 to 588.29, little changed on the week while the real-time Mibex index lost 1.8 to 9,369, up from a day's low of 9,311.

The Hex was fractionally down on a week bedevilled by pulp price cut by Konsi-Gutzeit but, by this time, the forestry sector had already fallen by 4.6 per cent as the Hex index closed 3.43, or 2 per cent down at 7,171.84.

Ferruzzi gave up another L1.18 to L1.03 as investors waited for the exchange regulator, Consof, to detail conditions for Mediobanca's public buy offer for almost 10 per cent of Ferruzzi's shares.

Among the day's hardest hit blue chips, Olivetti fell Ls 9 to Ls 11.8, Fiat lost Ls 9 to Ls 10.65 and Eni Ls 1 at Ls 5.50.

MADRID closed well off its worst, the general index falling 1.69 to 37.34 after 35.96. Turnover was modest, about half of this accounted for by a block trade in Repsol.

Ence, the paper company, dropped Pta75. or 3.5 per cent to Pta2,080, reflecting the week's cuts in pulp prices; in

construction, Huerta reversed earlier gains with a drop of Pta57, or more than 10 per cent to Pta1.88.

HELSINKI saw a late afternoon pulp price cut by Konsi-Gutzeit but, by this time, the forestry sector had already fallen by 4.6 per cent as the Hex index closed 3.43, or 2 per cent down at 7,171.84.

The Hex was fractionally down on a week bedevilled by pulp price news and the volatility in US tech stocks; in that area, Nokia dropped another FM7 to FM6.8, its fall on the week was 7.6 per cent.

COPENHAGEN fielded a DK1.13 drop to DK1.20 in Telia Denmark as the KFX index dropped 1.18 to 107.55, 1.4 per cent higher on the week.

Written and edited by William Cochrane, Michael Morgan and John PW

ASIA PACIFIC

Taipei plunges 6.7% on new tax measure

Taiwan's decision to re-introduce capital gains tax sent TAIPEI spiralling down. The weighted index lost 346.74 or 6.7 per cent to 4,799.30, more than 300 stocks plunging by the daily permitted 7 per cent limit. The market also lost 7 per cent on the week.

Analysts expected prices to ease further as more foreign investors became reluctant to take positions in the market.

On Thursday parliament approved the re-introduction of the tax, abolished in 1990.

The tax is set at 14 per cent of the capital gains, but if stock is held for more than a year only 10 per cent of capital gains will be taxed.

The finance ministry now has to work out the details of how and when the tax will be imposed.

The impact of the government's liberalisation measures to ease curbs on foreign investment in the stock market, announced late last year, would be completely offset by the tax, analysts said.

Tokyo

Equities erased earlier losses

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. Natwest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS

Figures in parentheses show number of lines of stock.

US Day's Change % Index

Overseas Day's Change % Index

Local Day's Change % Index

Gross Yield

US Day's Change % Index

Overseas Day's Change % Index

Local Day's Change % Index

Yield

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Telsim system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the three previous days is given with the relevant data.

† Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

Treasury 13 1/2% Stk 2002/03 - £126.00

Exchequer 10 1/2% Stk 2005 - £120.25/120.30

Corporation and County Stocks

Devon City 0% 11/16 Stk 2000 - £108.00

Devonport Borough Council 0% 11/16 Stk 2000 - £108.00

Manchester City 0% 11/16 Red Stk 2007 - £121.20/121.25

Foreign Stocks, Bonds, etc (coupons payable in London)

Abray National Treasury Secs 6% Gld Bds 2002/03 (Br & Var) - £101.45/101.50

ASDA PLC 6% Gld Bds 2002/03 (Br & Var) - £100.00/100.00

Barclays PLC 6% Gld Bds 2002/03 (Br & Var) - £100.00/100.00

Brown & Root 6% Gld Bds 2002/03 (Br & Var) - £100.00/100.00

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GUIDE TO UK SHARE CLASSIFICATION

For explanation see Weekend FT, Page 17.

A WRITER



FINANCIAL TIMES

Weekend January 6/January 7 1996

The MALT



Investment bank revolt led to UK exchange chief's downfall

By John Gapper,
Banking Editor, in London

Mr Michael Lawrence, the chief executive of the London Stock Exchange, was dismissed after members of some of the largest investment banks staged a revolt against the manner in which he was implementing share trading reforms.

Two leading investment bankers met Mr John Kemp-Welch, the exchange's chairman, in mid-December to make a formal protest at the method by which the exchange's board was planning to change how shares are traded in London.

Senior members of the exchange saw the protest over the way reforms were being implemented was not directly connected with Mr Lawrence's dismissal. However, the incident contributed to discontent with Mr Lawrence among City of London financiers.

The protest by Lord Rockley, chairman of Kleinwort Benson, the investment bank owned by Germany's Dresdner Bank, and Mr Martin Owen, chief executive of NatWest Markets, the investment banking arm of National Westminster Bank, led to a change of heart by the



Lawrence: may consider suing exchange for wrongful dismissal

exchange's board on Thursday.

At the meeting, it both approved a call for Mr Lawrence's resignation, and added representatives from three firms of marketmakers, which act as wholesale share traders, to a committee which will monitor trading reforms.

Although the exchange has not

yet announced the membership of the nine-person committee, Mr Michael Marks of Merrill Lynch, Mr Scott Dobble of NatWest Markets and Mr Hector Sants of Union Bank of Switzerland, have been added.

Mr Kemp-Welch said on Thursday that no single incident led to Mr Lawrence's dismissal, and he had been dismissed as a result of a "loss of confidence over a long period" among the exchange's 350 member firms, and its board.

Investment bankers say they were exasperated by a series of incidents unconnected with trading reforms. They disliked what they regarded as a failure by Mr Lawrence to consult them on issues before implementing controversial changes.

"People were left feeling that they never quite knew what was going on, and they had to keep jumping up and down to get attention. The handling of this issue simply crystallised the feeling," said a leading member of the exchange.

Mr Lawrence, who is 52, was under a one-year contract which paid him £242,000 (£329,000) last year. He has not yet been paid a bonus he was due for the year to December 31, and is likely to seek a payment of about £500,000 from

the exchange. He may consider suing the exchange for wrongful dismissal if negotiations between his lawyers and those of the exchange are not concluded successfully. An action could centre on a claim that he was given insufficient warning.

Government officials are thought to have been concerned that Mr Lawrence was not warned of dissatisfaction with his performance before he was told by Mr Kemp-Welch on Thursday that the board wanted his resignation.

Although Mr Lawrence's proposals for trading reform were approved at a board meeting on November 30, some members were unhappy at the way in which Mr Lawrence proposed offering a "hybrid" system of trading from August this year.

After the dispute over trading reforms, Mr Kemp-Welch asked the exchange's senior appointments and remuneration committee, chaired by Mr John Bond of the banking group HSBC Holdings, to discuss Mr Lawrence's position. The committee met several times, and decided to recommend Mr Lawrence's dismissal earlier this week.

Man in the news, Page 9

Yeltsin moves to reassure west as nationalists applaud departure

Russian foreign chief Kozyrev quits

By John Thornhill in Moscow

Mr Andrei Kozyrev, the Russian foreign minister who helped reintegrate his country into the world community after the collapse of the Soviet Union, yesterday resigned to become a deputy in the newly elected parliament.

A liberal career diplomat much admired in western capitals but long reviled by Russian nationalists, Mr Kozyrev appeared to have lost the confidence of President Boris Yeltsin in recent months.

Mr Yeltsin sharply criticised Mr Kozyrev last year for his failure to check Nato's eastward expansion plans and his inability to bring sufficient Russian influence to bear in the former Yugoslavia.

The departure of Mr Kozyrev, blamed by critics for placing too much emphasis on relations with

the west, comes at a time of renewed Russian interest in relations with China, which Mr Yeltsin hopes to visit in the spring.

In accepting Mr Kozyrev's resignation, Mr Yeltsin tried to reassure the west that there would be no nationalist lurch in policy despite the strong showing of the communists and ultra-nationalists in last month's parliamentary elections.

"Western countries should not regard the resignation of Andrei Kozyrev from the post of foreign minister as any kind of threat or as an indication of change in Russia's foreign policy," the presidential spokesman said.

The Communist party welcomed his departure. "All Kozyrev's blunders have been in favour of the west," a spokesman said.

Mr Sergei Krylov, deputy foreign minister, will take charge of foreign policy until a permanent

replacement is appointed. Western diplomats praised Mr Kozyrev's contribution to dismantling Cold War antagonisms. "Russia's relations with the west have been completely transformed during his time as foreign minister and Kozyrev personally can take a large part of the credit for that," one said yesterday.

But diplomats said future Russian policy was bound to become more nationalist in style – if not necessarily in substance – to reflect the increasingly anti-western mood within the country.

In the early 1990s Mr Kozyrev introduced a new approach to Russian diplomacy, even appearing on western television talkshows to explain his country's policies in flawless English. His willingness to co-operate with international organisations led to him being nicknamed Mr Da (yes) in contrast to one of his

legitimate Soviet predecessors, Andrei Gromyko, who was known as Mr Nyet (no).

As one of Mr Yeltsin's most loyal and longest-serving ministers, Mr Kozyrev succeeded in dispelling many of the west's concerns about the president's erratic character and policies. Such was his influence that the west barely objected to Mr Yeltsin's use of force in October 1993 to crush his hardline opponents in the Supreme Soviet.

After being elected an independent deputy for the northern city of Murmansk last month, Mr Kozyrev had to choose between remaining a minister or taking up his post in parliament. His resignation was widely seen in Moscow as an elegant exit pre-empting his likely dismissal.

Kozyrev introduced Russia to a world it still mistrusts, Page 2

Comic cuts

Continued from Page 1

Marvel also said it would cut down on fancy covers and expensive papers for its comics. These are designed to appeal to comic book collectors and speculators, a market which collapsed in 1993.

This is not the first sign of trouble at Marvel. In March last year it warned that as a result of the baseball strike, it would

increase earnings by only 15-20 per cent for 1995, to \$0.69-0.72 per share.

Yesterday it said earnings before extraordinary charges would be only \$0.05 for the full year. The pre-tax charge of \$25m brings total charges for the year to \$65m.

Wall Street evidently takes the threat to the empire seriously. Marvel's shares dropped 3 per cent yesterday to \$12.50.

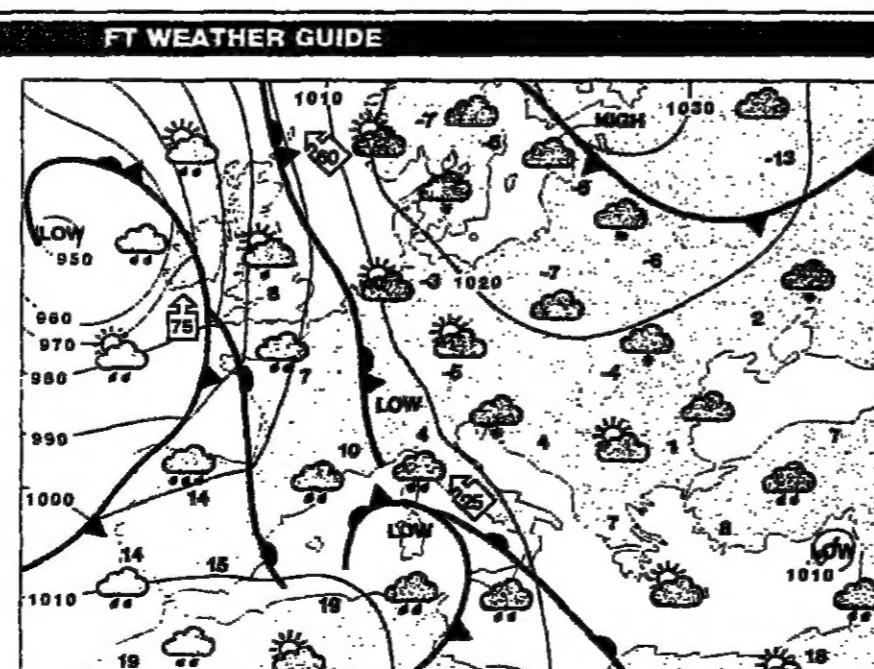
Adobe shares slide 40%

Continued from Page 1

integrating the Frame sales force into Adobe's, and to increased spending on marketing and product development. He also said the company's fourth quarter revenue of \$201m was about \$10m below expectations, in part because of weak sales at Frame and late shipments of a new Adobe product, Adobe Illustrator.

Adobe is developing software

for Internet publishing. Mr Geschke said publishers already familiar with the company's software would be able to make an easy transition from paper to electronic distribution with Adobe's new products. Mr Ed Blumenthal, head of research at Dain Securities, said he thought the share price drop created a buying opportunity because Adobe represents a relatively safe way to buy into an Internet-related share.



TODAY'S TEMPERATURES

	Maximum	Beijing	sun	2	Caracas	rain	29	Faro	rain	18	Madrid	rain	12	Rangoon	sun	31
Abu Dhabi	104	27	Santiago	10	Cardiff	rain	10	Frankfurt	cloudy	3	Malaga	cloudy	16	Perth	rain	6
Acra	107	27	Buenos Aires	10	Casablanca	rain	19	Geneva	drizz	7	Milan	cloudy	17	Rio	shower	25
Algiers	108	27	Buenos Aires	10	Cagliari	rain	11	London	rain	17	Manchester	drizz	9	Rome	rain	15
Amsterdam	102	22	Bogota	10	Copenhagen	cloudy	18	Lisbon	rain	9	Montreal	rain	10	S. Paulo	fair	15
Athens	103	11	Bombay	10	Delhi	rain	20	Madrid	rain	4	Melbourne	fair	17	S. Paulo	sun	5
Atlanta	103	13	Brussels	10	Dubai	rain	23	Hamburg	fair	4	Melbourne	fair	18	Singapore	cloudy	20
B. Aires	104	29	Budapest	10	Dubai	rain	22	Helsinki	cloudy	8	Melbourne	fair	24	Stockholm	cloudy	5
B. Bonn	103	12	Dubai	10	Dubai	rain	26	Hong Kong	cloudy	21	Milan	rain	2	Sydney	rain	22
Bangkok	103	30	Dubai	10	Dubai	rain	11	Istanbul	rain	4	Montreal	rain	15	Taipei	shower	19
Barcelona	103	12	Dubai	10	Dubai	rain	10	London	rain	10	Montreal	rain	13	Taipei	shower	18
Frankfurt	103	12	Dubai	10	Dubai	rain	21	London	rain	13	Montreal	rain	13	Tokyo	fair	9
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THE LEX COLUMN

Spanish bulls

Only months after buying Smith New Court, Merrill Lynch is poised to do a deal with FG, Spain's largest independent Spanish broker. Merrill's "global and local" strategic plan had already pinned Spain as one of six European countries in which it wished to compete for domestic business.

The strategy makes some sense: panelling in specialists from a regional head office has limitations. Firms like Goldman Sachs win a large share of cross-border business this way, but Merrill wants to get domestic deals too. For this, a strong presence on the ground, with trading and research capacity, is clearly needed.

But FG, a top broker, will not necessarily give Merrill access to primary business. The Spanish banks, most of which own brokerages, have better access to corporate clients. And, unlike others in Europe, they are good at marketing and distribution, as Spain's relatively successful privatisation record demonstrates. Since breaking margins are thin and overheads high, returns will be disappointing unless such business is generated.

Still, there are opportunities. Spain's small pension fund system is likely to grow and Spanish investors have yet to put much money overseas. Merrill's global reach will give it a strong competitive advantage in winning some of this business. Provided Merrill does not overplay, the deal may prove fruitful. But an even more daunting task lies ahead: building up operations in France and Germany, through acquisition or organic growth. Merrill faces a long haul.

UK supermarkets

For all the talk of a renewed price war, the January promotions launched this week by J Sainsbury, Safeway and Iceland amount to little. Safeway, for example, is cutting prices on just 70 products in supermarkets that stock around 20,000 lines. In most big stores at least 200 items are subject to some type of special offer all year round. The promotions look more like sharp marketing in a quiet month than a real food fight.

Even so, the sector remains extremely competitive. Christmas trading statements over the next few weeks should reconfirm last year's trends, with Asda and Tesco expected to report double digit sales growth. Argyl's Safeway recovering and Sainsbury continuing to lag behind. Tesco is still benefiting from its Clubcard loyalty scheme, which allowed it

to make a small shot to 60 customers over the holidays. The latest market share figures suggest that, having overtaken Sainsbury in dry groceries last May, it is now almost three percentage points ahead.

The big question for this year is how Sainsbury will fight back. It has yet to find a response to Tesco's loyalty card, but it still enjoys the highest sales per square foot among the majors. The group appointed a new marketing director in November and its current January Savers campaign, though no more significant than Safeway's in scale, is notably more aggressive in tone. If the group manages to revive some of its flagging sales momentum, it will be tempted to continue. That could turn today's phony price war into a real one.

UK house prices

This is the time of year when the housing market traditionally gets frisky. True to form, mortgage lenders and market pundits are again forecasting the long-awaited recovery. For 1996, expectations are for a 2-3 per cent increase in house prices, with a 10 per cent increase in transactions.

That optimism is based on hopes that this will be the year economic recovery and tax cuts finally feed through to consumers. In the past, rising disposable incomes have tended to drive the housing market. Measured against incomes, houses are now more affordable than at any time since the early 1980s. The last time mortgage rates were this low – albeit with more generous tax relief than today – the Beatles were in their heyday. While the last Budget carried no special

incentives for homeowners, the government is not going to damage the housing market either.

The danger is that the old relationship between house values and incomes has been dissolved by the shock of the recession. House prices are down more than 10 per cent nationally from their 1989 peak – and by 25 per cent in the south east – and have remained essentially flat since 1992. In that context, a 2 per cent increase will do little to restore confidence. One in 10 mortgaged homes is still burdened by negative equity and borrowers can no longer inflate their way out of debt.

This year may produce the first rise in house prices for nearly a decade. But it hardly deserves to be called a recovery.

Granada

It is crunch time for Granada. Over the weekend, it must decide whether to walk away from its £230m bid for Forte, or raise it convincingly. It has to make that decision against the background of a lukewarm response from its shareholders. At least rumours of the bid's demise, while extraordinarily premature, have aided Granada's share price, which would help fund a higher offer. Nonetheless, Granada's management would look strategically bereft and struggle to find sufficient investment opportunities for its cash flow.

If Granada walked away, its share price would rally. After all, it could look forward to two years of double digit earnings growth anyway. It could blame the U-turn on Forte's asset-stripping and a greedy Council of Forte, which wants a special deal in exchange for its voting rights. Nonetheless,